



Dave Yost • Auditor of State

MADEIRA CITY SCHOOL DISTRICT
HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madeira City School District
Hamilton County
7465 Loannes Drive
Cincinnati, Ohio 45243

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madeira City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Madeira City School District, Hamilton County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2014, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 5, 2014

Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of Madeira City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$1,057,988 from 2013.
- General revenues accounted for \$19,923,251 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,802,596 or 8% of total revenues of \$21,725,847.
- The District had \$20,667,859 in expenses related to governmental activities; \$1,802,596 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$19,923,251 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities and interest and fiscal charges.

Fund Financial Statements

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

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

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

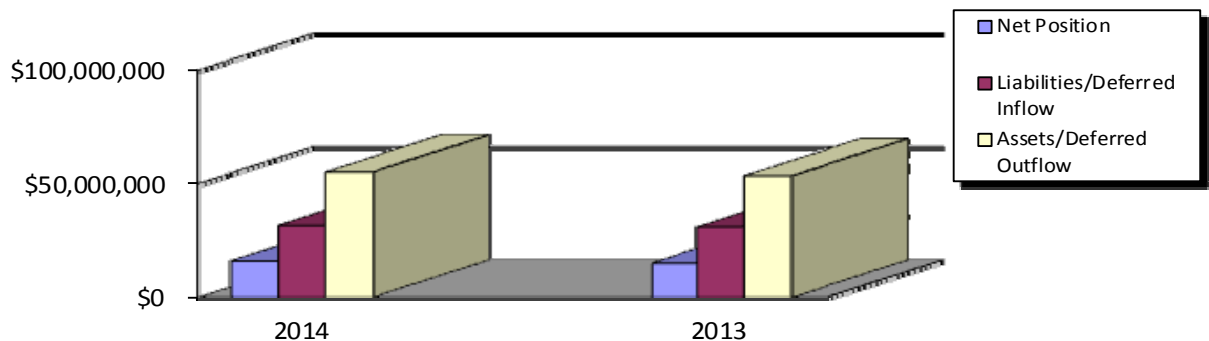
**Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

**Table 1
Net Position**

	Governmental Activities	
	2014	2013
Assets:		
Current and Other Assets	\$25,666,860	\$24,244,319
Capital Assets	29,553,640	29,310,243
Total Assets	55,220,500	53,554,562
Total Deferred Outflows of Resources	1,123,464	1,185,878
Liabilities:		
Other Liabilities	4,116,703	2,849,636
Long-Term Liabilities	27,619,252	28,200,593
Total Liabilities	31,735,955	31,050,229
Total Deferred Inflows of Resources	8,462,246	8,602,436
Net Position:		
Net Investment in Capital Assets	5,218,775	4,309,342
Restricted	1,980,117	1,603,296
Unrestricted	8,946,871	9,175,137
Total Net Position	\$16,145,763	\$15,087,775



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$16,145,763.

Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

At year-end, capital assets represented 52% of total assets and deferred outflows. Capital assets include land, construction in progress, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2014, totaled \$5,218,775. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,980,117 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased due to an increase in equity in pooled cash and investments, which was mainly due to an increase in the District's investments in fiscal year 2014 as compared to fiscal year 2013. Capital assets increased due to depreciation expense being less than current year additions. Other liabilities increased due to an increase in contracts payable. Long term liabilities decreased mainly due to the District making regularly scheduled principal and interest payments.

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**Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2014	2013
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$976,438	\$991,744
Operating Grants and Contributions	826,158	716,877
Total Program Revenues	1,802,596	1,708,621
General Revenues:		
Property Taxes	14,962,614	14,897,795
Grants and Entitlements	4,615,877	4,775,967
Other	344,760	624,823
Total General Revenues	19,923,251	20,298,585
Total Revenues	21,725,847	22,007,206
Program Expenses:		
Instruction	12,006,429	11,199,295
Support Services:		
Pupil and Instructional Staff	1,774,615	1,486,610
School Administrative, General Administration, Fiscal and Business	2,031,478	1,905,427
Operations and Maintenance	1,449,757	1,508,052
Pupil Transportation	847,899	827,457
Central	35,993	524,176
Operation of Non-Instructional Services	654,079	731,243
Extracurricular Activities	545,325	547,339
Interest and Fiscal Charges	1,322,284	1,334,083
Total Program Expenses	20,667,859	20,063,682
Changes in Net Position	1,057,988	1,943,524
Net Position - Beginning of Year	15,087,775	13,144,251
Net Position - End of Year	\$16,145,763	\$15,087,775

The District revenues came from mainly two sources. Property taxes levied for general and debt service purposes, as well as grants and entitlements comprised 90% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a

**Madeira City School District
 Management’s Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014
 (Unaudited)**

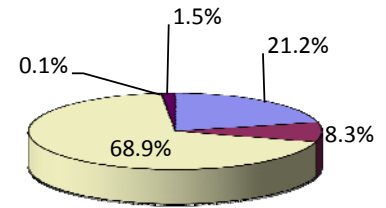
home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Property taxes made up 69% of governmental activities for the District in fiscal year 2014. The District’s reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities
 Revenue Sources**

Revenue Sources	2014	Percent of Total
General Grants	\$4,615,877	21.2%
Program Revenues	1,802,596	8.3%
General Tax Revenues	14,962,614	68.9%
Investment Earnings	22,913	0.1%
Other Revenues	321,847	1.5%
	<u>\$21,725,847</u>	<u>100.0%</u>



Instruction comprises 59% of governmental program expenses. Support services expenses were 30% of governmental program expenses. All other expenses including interest expense were 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Property tax revenues increased from the prior year mainly due to an increase in property tax advances available. Total Expenses increased due to inflationary factors in 2014 as compared to 2013.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$12,006,429	\$11,199,295	(\$11,395,175)	(\$10,729,835)
Support Services:				
Pupil and Instructional Staff	1,774,615	1,486,610	(1,722,119)	(1,413,257)
School Administrative, General				
Administration, Fiscal and Business	2,031,478	1,905,427	(2,021,176)	(1,895,263)
Operations and Maintenance	1,449,757	1,508,052	(1,443,727)	(1,502,808)
Pupil Transportation	847,899	827,457	(836,979)	(818,288)
Central	35,993	524,176	(35,993)	(518,776)
Operation of Non-Instructional Services	654,079	731,243	109,341	38,510
Extracurricular Activities	545,325	547,339	(197,151)	(181,261)
Interest and Fiscal Charges	1,322,284	1,334,083	(1,322,284)	(1,334,083)
Total Expenses	<u>\$20,667,859</u>	<u>\$20,063,682</u>	<u>(\$18,865,263)</u>	<u>(\$18,355,061)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprised \$23,882,541 (93%) of the total \$25,666,860 governmental fund assets.

General Fund: Fund balance at June 30, 2014 was \$10,347,319. Fund balance decreased \$32,469 from the prior year. The primary reason for the decrease in fund balance was decreased revenue in lieu of taxes.

Debt Service Fund: Fund balance at June 30, 2014 was \$1,864,174. Fund balance increased \$442,163 from 2013. The primary reason for the increase in fund balance was an increase in property tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis estimated revenue was \$17,668,051, compared to original budget estimates of \$17,190,041. Of the \$478,010 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General Fund was \$6,842,059.

**Madeira City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$29,553,640 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$963,381	\$963,381
Construction in Progress	1,434,600	48,421
Buildings and Improvements	26,726,568	27,597,926
Equipment	<u>429,091</u>	<u>700,515</u>
Total Net Capital Assets	<u>\$29,553,640</u>	<u>\$29,310,243</u>

The District continues its ongoing commitment to maintaining and improving its capital assets.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

Debt

At fiscal year end, the District had \$26,952,577 in bonds and capital leases payable, \$859,538 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

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**Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2014	2013
General Obligation Bonds:		
2003 School Improvement Refunding Bonds:		
Current Interest	\$560,000	\$1,095,000
Capital Appreciation	19,994	19,994
Accretion of Interest	581,314	427,123
2005 School Improvement Bonds:		
Current Interest	990,000	990,000
Capital Appreciation	110,000	230,000
Accretion of Interest	258,398	441,794
2006 School Improvement Refunding Bonds:		
Current Interest	20,105,000	20,105,000
Capital Appreciation	2,060,000	2,060,000
Accretion of Interest	654,536	560,773
Premium on Refunding Bonds	1,207,812	1,274,913
Capital Leases	<u>405,523</u>	<u>411,872</u>
Total Bonds and Capital Leases	<u>\$26,952,577</u>	<u>\$27,616,469</u>

See Note 7-9 to the basic financial statements for further details on the District's long-term obligations.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts were reimbursed fully for the lost revenue and in the following seven years the reimbursements were supposed to be phased out. HB1, 2009-2011 State biennium budget, included language to postpone the phase down of the reimbursement from 2011 to 2014. The phase down % remained unchanged so therefore in 2014 the reimbursement would have dropped to 50%. However, HB153, 2011-2013 State biennium budget, included language that revised the phase down of the tangible tax reimbursement. Madeira City Schools lost most of the remaining tangible tax reimbursement in 2012 and the remainder in 2013.

In July 2009, Ohio's Governor signed HB1, the state biennium budget bill. Included in the bill was a complete overhaul of the school funding model for all school districts in Ohio. The Ohio Evidence-Based Model (OEBM) replaced the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. Due to the economic crisis the OEBM was going to be phased in. Fiscal Years 2010 and 2011 were funded using the partially phased in OEBM.

Madeira City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

In June, 2011, Ohio's Governor signed HB153, the state biennium budget bill for 2012 and 2013. Language included in HB153 eliminated the OEBM funding model. In June 2013, Ohio's Governor signed HB59, the state biennium budget bill for 2014 and 2015. A new funding model was introduced. Simulations received from the state indicate Madeira will continue to be guaranteed funding amounts that were received in the previous biennium with no increase in funding.

Due to the uncertain and ever changing State budget allocation to public schools, the district will be required to manage carefully and prudently the resources currently available. With careful planning the monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Crabill, Treasurer at Madeira City School District, 7465 Loannes Drive, Cincinnati, Ohio 45243. Or E-mail at scrabill@madeiracityschools.org.

Madeira City School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$10,550,940
Receivables (Net):	
Taxes	14,789,474
Intergovernmental	326,446
Nondepreciable Capital Assets	2,397,981
Depreciable Capital Assets, Net	<u>27,155,659</u>
 Total Assets	 <u>55,220,500</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>1,123,464</u>
 Total Deferred Outflows of Resources	 <u>1,123,464</u>
 Liabilities:	
Accounts Payable	292,067
Accrued Wages and Benefits	2,289,668
Contracts Payable	1,458,181
Accrued Interest Payable	76,787
Long-Term Liabilities:	
Due Within One Year	1,028,723
Due In More Than One Year	<u>26,590,529</u>
 Total Liabilities	 <u>31,735,955</u>
 Deferred Inflows of Resources:	
Property Taxes	8,252,246
Unavailable Revenue	<u>210,000</u>
 Total Deferred Inflows of Resources	 <u>8,462,246</u>
 Net Position:	
Net Investment in Capital Assets	5,218,775
Restricted for:	
Debt Service	1,860,592
Capital Projects	48
Federal Grants	51,275
District Managed Activities	51,731
Career Development	9,906
Other Purposes	6,565
Unrestricted	<u>8,946,871</u>
 Total Net Position	 <u>\$16,145,763</u>

See accompanying notes to the basic financial statements.

Madeira City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$9,050,805	\$89,103	\$39,852	(\$8,921,850)
Special	2,466,074	4,342	458,911	(2,002,821)
Other	489,550	19,046	0	(470,504)
Support Services:				
Pupil	1,349,369	0	29,007	(1,320,362)
Instructional Staff	425,246	0	23,489	(401,757)
General Administration	46,301	0	0	(46,301)
School Administration	1,277,527	10,302	0	(1,267,225)
Fiscal	591,614	0	0	(591,614)
Business	116,036	0	0	(116,036)
Operations and Maintenance	1,449,757	6,030	0	(1,443,727)
Pupil Transportation	847,899	0	10,920	(836,979)
Central	35,993	0	0	(35,993)
Operation of Non-Instructional Servi	654,079	499,441	263,979	109,341
Extracurricular Activities	545,325	348,174	0	(197,151)
Interest and Fiscal Charges	1,322,284	0	0	(1,322,284)
Totals	\$20,667,859	\$976,438	\$826,158	(18,865,263)

General Revenues:

Property Taxes Levied for:

General Purposes	12,867,713
Debt Service Purposes	2,094,901
Grants and Entitlements, Not Restricted	4,615,877
Revenue in Lieu of Taxes	114,237
Unrestricted Contributions	76,942
Investment Earnings	22,913
Other Revenues	130,668

Total General Revenues 19,923,251

Change in Net Position 1,057,988

Net Position - Beginning of Year 15,087,775

Net Position - End of Year \$16,145,763

See accompanying notes to the basic financial statements.

Madeira City School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$7,828,893	\$1,054,174	\$1,667,873	\$10,550,940
Receivables (Net):				
Taxes	12,807,030	1,982,444	0	14,789,474
Intergovernmental	210,000	0	116,446	326,446
Total Assets	20,845,923	3,036,618	1,784,319	25,666,860
Liabilities:				
Accounts Payable	254,236	0	37,831	292,067
Accrued Wages and Benefits	2,196,364	0	93,304	2,289,668
Compensated Absences	121,974	0	0	121,974
Contracts Payable	109,000	0	1,349,181	1,458,181
Total Liabilities	2,681,574	0	1,480,316	4,161,890
Deferred Inflows of Resources:				
Property Taxes	7,607,030	1,172,444	0	8,779,474
Grants and Other Taxes	0	0	88,499	88,499
Unavailable Revenue	210,000	0	0	210,000
Total Deferred Inflows of Resources	7,817,030	1,172,444	88,499	9,077,973
Fund Balances:				
Restricted	0	1,864,174	69,245	1,933,419
Assigned	295,760	0	190,387	486,147
Unassigned	10,051,559	0	(44,128)	10,007,431
Total Fund Balances	10,347,319	1,864,174	215,504	12,426,997
Total Liabilities, Deferred Inflows and Fund Balances	\$20,845,923	\$3,036,618	\$1,784,319	\$25,666,860

See accompanying notes to the basic financial statements.

Madeira City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$12,426,997

Amounts reported for governmental activities in the
 statement of net position are different because:

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

 Capital assets used in the operation of Governmental Funds 29,553,640

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

Delinquent Property Taxes	527,228	
Intergovernmental	<u>88,499</u>	
		615,727

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources.

(76,787)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

 Compensated Absences (544,701)

Deferred charge on refunding associated with long-term liabilities
 that are not reported in the funds.

1,123,464

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

(26,952,577)

Net Position of Governmental Activities

\$16,145,763

See accompanying notes to the basic financial statements.

Madeira City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$12,934,329	\$2,092,393	\$0	\$15,026,722
Tuition and Fees	111,801	0	0	111,801
Investment Earnings	19,709	1,887	1,317	22,913
Intergovernmental	4,522,345	289,657	735,573	5,547,575
Extracurricular Activities	145,189	0	202,985	348,174
Charges for Services	516,463	0	0	516,463
Revenue in Lieu of Taxes	112,811	1,426	0	114,237
Other Revenues	143,677	0	63,933	207,610
Total Revenues	18,506,324	2,385,363	1,003,808	21,895,495
Expenditures:				
Current:				
Instruction:				
Regular	7,966,829	0	114,184	8,081,013
Special	2,184,897	0	267,342	2,452,239
Other	443,919	0	0	443,919
Support Services:				
Pupil	1,320,753	0	28,851	1,349,604
Instructional Staff	391,150	0	34,096	425,246
General Administration	46,301	0	0	46,301
School Administration	1,263,662	0	0	1,263,662
Fiscal	572,985	30,291	0	603,276
Business	60,817	0	0	60,817
Operations and Maintenance	1,488,964	0	0	1,488,964
Pupil Transportation	847,299	0	600	847,899
Central	7,171	0	0	7,171
Operation of Non-Instructional Services	410,321	0	264,460	674,781
Extracurricular Activities	321,892	0	212,649	534,541
Capital Outlay	0	0	1,299,451	1,299,451
Debt Service:				
Principal Retirement	246,672	940,000	0	1,186,672
Interest and Fiscal Charges	5,484	972,909	0	978,393
Total Expenditures	17,579,116	1,943,200	2,221,633	21,743,949
Excess of Revenues Over (Under) Expenditures	927,208	442,163	(1,217,825)	151,546
Other Financing Sources (Uses):				
Issuance of Capital Lease	240,323	0	0	240,323
Transfers In	0	0	1,200,000	1,200,000
Transfers (Out)	(1,200,000)	0	0	(1,200,000)
Total Other Financing Sources (Uses)	(959,677)	0	1,200,000	240,323
Net Change in Fund Balance	(32,469)	442,163	(17,825)	391,869
Fund Balance - Beginning of Year	10,379,788	1,422,011	233,329	12,035,128
Fund Balance - End of Year	\$10,347,319	\$1,864,174	\$215,504	\$12,426,997

See accompanying notes to the basic financial statements.

Madeira City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$391,869

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	1,517,348	
Depreciation Expense	<u>(1,101,679)</u>	415,669

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (172,272)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(64,108)	
Intergovernmental	<u>(105,540)</u>	(169,648)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,186,672

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 980

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(10,088)	
Amortization of Bond Premium	67,101	
Amortization of Deferred Charge on Refunding	(62,414)	
Bond Accretion	<u>(349,558)</u>	(354,959)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (240,323)

Change in Net Position of Governmental Activities \$1,057,988

See accompanying notes to the basic financial statements.

Madeira City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$69,933</u>
Total Assets	<u>69,933</u>
Liabilities:	
Accounts Payable	1,996
Other Liabilities	<u>67,937</u>
Total Liabilities	<u>\$69,933</u>

See accompanying notes to the basic financial statements.

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Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 1 - Description of the District

The District was chartered by the Ohio State Legislature. In 1949 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 57 non-certificated personnel and 126 certificated teaching and 7 administrative personnel to provide services to students and other community members.

The District currently operates 1 elementary school (grades K-4), 1 middle school (grades 5-8), and 1 senior high school (grades 9-12).

Reporting Entity

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

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District contracts with outside organizations for pupil transportation and food service.

The following activities are included within the reporting entity:

Within the District boundaries, St. Gertrude Elementary School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of this State money by the District is reflected in a special revenue fund for financial reporting purposes.

The District is associated with five organizations, of which four are defined as jointly governed organizations and the fifth is a group insurance consortium. These organizations include the Unified Purchasing Cooperative of Ohio River Valley, Great Oaks Institute of Technology and Career Development, Hamilton/Clermont Cooperative Association/Computer Consortium, the Greater Cincinnati Insurance Consortium and the Southwestern Ohio Educational Purchases Council (Workers' Compensation Group Rating Program).

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies

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

Measurement Focus

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

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 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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Basis of Accounting

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

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes tax incremental financing (TIF). These amounts are deferred and recognized as inflows of resources in the period the amounts become available. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Unearned Revenue

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

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the debt service fund during fiscal year 2014 amounted to \$1,887, \$19,709 for the general fund and \$1,317 for other governmental funds.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Capital Assets

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

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 years
Equipment	5 - 20 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liabilities are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District’s policies regarding compensated absences are determined by the state laws and/or policies. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated Year Round Employees</u>
How earned	Not Eligible	15-20 days for each service year depending on length of service.	10-20 days for each service year depending on length of service.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Maximum Accumulation	Not Applicable	15-20 days	10-20 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

Sick Leave

How Earned Regular Full Time	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Regular Part Time	4.6 hrs paid sick leave for 80 hrs of service	4.6 hrs paid sick leave for 80 hrs of service	4.6 hrs paid sick leave for 80 hrs of service

<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
Maximum Accumulation	220	220	220
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$1,980,117 in restricted net position, none were restricted by enabling legislation.

Interfund Activity

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

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Estimates

The preparation of 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 may differ from those estimates.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 3 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$7,135,607 of the District's bank balance of \$8,935,607 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2014, the District had the following investments:

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$99,718	1.97
Federal Home Loan Mortgage	235,224	2.14
Federal Farm Credit Bank	124,951	1.46
Federal National Mortgage Association	551,733	2.67
Bankers Acceptances	114,985	0.21
U.S. Treasury Note	60,047	0.46
Commercial Paper	393,613	0.42
Money Market Funds	217,623	0.00
Total Fair Value	\$1,797,894	
Portfolio Weighted Average Maturity		1.43

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Home Loan Mortgage, Federal Farm Credit Bank, Federal National Mortgage Association, U.S. Treasury Note and Money Market Funds were rated AAA by Standard & Poor’s and Fitch ratings and Aaa by Moody’s Investment Service. The District’s investments in Commercial Paper and Bankers Acceptances were rated A-1+ by Standard & Poor’s ratings and P-1 by Moody’s Investment Service.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 6% in Federal Home Loan Bank, 13% in Federal Home Loan Mortgage, 31% in Federal National Mortgage Association, 7% in Federal Farm Credit Bank, 22% in Commercial Paper, 6% in Bankers Acceptances, 3% in U.S. Treasury Note, and 12% in Money Market Funds.

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

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2014 (other than public utility property tax) represents the collection of 2014 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$5,200,000 in the General Fund and \$810,000 in the Debt Service Fund.

The assessed value, by property classification, upon which taxes collected in 2014 were based as follows:

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$293,243,130
Public Utility Personal	<u>5,604,790</u>
Total	<u><u>\$298,847,920</u></u>

Note 5 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$963,381	\$0	\$0	\$963,381
Construction in Progress	<u>48,421</u>	<u>1,461,430</u>	<u>75,251</u>	<u>1,434,600</u>
Total Capital Assets, not being depreciated	1,011,802	1,461,430	75,251	2,397,981
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	35,950,758	131,168	28,117	36,053,809
Equipment	<u>2,193,234</u>	<u>0</u>	<u>552,380</u>	<u>1,640,854</u>
<i>Total Capital Assets, being depreciated:</i>	<u>38,143,992</u>	<u>131,168</u>	<u>580,497</u>	<u>37,694,663</u>
Totals at Historical Cost	<u><u>39,155,794</u></u>	<u><u>1,592,598</u></u>	<u><u>655,748</u></u>	<u><u>40,092,644</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,352,832	987,160	12,751	9,327,241
Equipment	<u>1,492,719</u>	<u>114,518</u>	<u>395,474</u>	<u>1,211,763</u>
Total Accumulated Depreciation	<u><u>9,845,551</u></u>	<u><u>1,101,678</u></u>	<u><u>408,225</u></u>	<u><u>10,539,004</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$29,310,243</u></u>	<u><u>\$490,920</u></u>	<u><u>\$247,523</u></u>	<u><u>\$29,553,640</u></u>

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$861,728
Special		37,095
Other Instruction		45,631
Support Services:		
School Administration		1,068
Fiscal		1,350
Business		55,219
Operations and Maintenance		25,095
Central		50,612
Operation of Non-Instructional Services		13,096
Extracurricular Activities		10,784
Total Depreciation Expense		<u>\$1,101,678</u>

Note 7 - Long-Term Liabilities

The change in the District's long-term obligations during the year consists of the following:

	Rate	Maturity Dates	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:							
General Obligation Bonds:							
2003 School Improvement Refunding Bonds -							
Current Interest	5.75%	12/1/16	\$1,095,000	\$0	(\$535,000)	\$560,000	\$560,000
Capital Appreciation		12/1/16	19,994	0	0	19,994	0
Accretion of Interest		12/1/16	427,123	154,191	0	581,314	0
2005 School Improvement Bond -							
Current Interest Bonds	2.00%	12/1/16	990,000	0	0	990,000	0
Capital Appreciation	4.10%	12/1/14	230,000	0	(120,000)	110,000	110,000
Accretion of Interest	4.10%	12/1/14	441,794	101,604	(285,000)	258,398	0
2006 School Improvement Refunding Bonds -							
Current Interest		12/1/32	20,105,000	0	0	20,105,000	0
Capital Appreciation		12/1/20	2,060,000	0	0	2,060,000	0
Accretion of Interest		12/1/20	560,773	93,763	0	654,536	0
Premium		12/1/32	1,274,913	0	(67,101)	1,207,812	0
Total General Obligation Bonds			27,204,597	349,558	(1,007,101)	26,547,054	670,000
Capital Leases:							
2011 Computer Lease	2.63%	7/1/13	55,695	0	(55,695)	0	0
2012 Computer Lease	1.71%	3/1/15	103,030	0	(51,078)	51,952	51,952
2012 Copier Lease	0.00%	1/1/17	112,336	0	(32,096)	80,240	32,096
2013 Computer Lease	1.63%	3/1/16	140,811	0	(46,206)	94,605	46,921
2014 Computer Lease	1.68%	3/1/17	0	240,323	(61,597)	178,726	58,569
Total Capital Leases			411,872	240,323	(246,672)	405,523	189,538
Total Long-Term Liabilities			27,616,469	589,881	(1,253,773)	26,952,577	859,538
Compensated Absences			656,094	96,097	(85,516)	666,675	169,185
Total Governmental Activities			<u>\$28,272,563</u>	<u>\$685,978</u>	<u>(\$1,339,289)</u>	<u>\$27,619,252</u>	<u>\$1,028,723</u>

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

General obligation bonds will be paid from the debt service fund. Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$560,000	\$1,038,600	\$1,598,600	\$110,000	\$305,000	\$415,000
2016	605,000	939,350	1,544,350	12,671	62,675	75,346
2017	770,000	912,256	1,682,256	7,323	32,488	39,811
2018	0	893,000	893,000	575,000	660,000	1,235,000
2019	0	893,000	893,000	525,000	695,000	1,220,000
2020-2024	3,940,000	4,302,926	8,242,926	960,000	1,505,000	2,465,000
2025-2029	7,885,000	3,072,738	10,957,738	0	0	0
2030-2033	7,895,000	1,065,488	8,960,488	0	0	0
Total	<u>\$21,655,000</u>	<u>\$13,117,358</u>	<u>\$34,772,358</u>	<u>\$2,189,994</u>	<u>\$3,260,163</u>	<u>\$5,450,157</u>

Note 8 - Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2014, \$20,685,000 of bonds outstanding were considered defeased by the District.

Note 9 - Capital Leases

The District has capital leases for various technology equipment and computers.

The leases meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending June 30,	Long-Term Debt
2015	\$194,995
2016	142,155
2017	77,644
Total Minimum Lease Payments	414,794
Less: Amount Representing Interest	(9,271)
Present Value of Minimum Lease Payments	<u>\$405,523</u>

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Capital assets acquired under capital leases in accordance with GASB Codification Section 1400 are as follows:

Equipment	\$796,078
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Note 10 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$287,704, \$347,400, and \$332,136, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$1,174,656, \$1,221,696, and \$1,170,024, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 11- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .74%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$15,207, \$18,611, and \$18,030, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$3,288, \$13,648, and \$33,925, respectively.

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

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

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$83,904, \$87,264, and

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

\$83,573, 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 12 - Contingent Liabilities

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 13 - Jointly Governed Organizations

Unified Purchasing Cooperative of Ohio River Valley - The Unified Purchasing Cooperative of Ohio River Valley is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

Great Oaks Institute of Technology and Career Development - The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. The Institute possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, Rob Giuffr , who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Hamilton/Clermont Cooperative Association - The District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the H/CCA, Dave Distel, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Greater Cincinnati Insurance Consortium – The District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The consortium has 14 member schools and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits to employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center.

Note 14 - 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, injuries to employees and natural disasters. During fiscal year 2014, the District contracted with the Catlin Indemnity Company for property and general liability insurance and boiler machinery insurance.

Boiler and machinery coverage has a \$5,000 deductible. General liability is provided by Catlin Indemnity Company with \$1,000,000 each occurrence \$2,000,000 aggregate limit. Commercial Umbrella Liability Insurance is provided by Catlin Indemnity Company with \$5,000,000 each occurrence and \$5,000,000 aggregate limit. Vehicles are covered by Catlin Indemnity Company with a \$1,000,000 liability limit and physical damages and a \$1,000 deductible. Public official bond insurance is provided by Ohio Casualty Insurance Company. The Treasurer is covered by a bond in the amount of \$50,000. The Superintendent and Board President are covered by bonds in the amount of \$20,000 each. The District has elected to provide employee medical, dental and life insurance through Greater Cincinnati Insurance Consortium. The employees share the cost of the monthly premium for the coverage with the Board.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

Note 15 - Insurance Purchasing Pool

Southwestern Ohio Educational Purchases Council - The District participates in the Southwestern Ohio Educational Purchases Council Workers' Compensation Group Rating Program (GRP), represented by Hunter Consulting Company, an insurance purchasing pool. The EPC is a council of governments governed by a constitution and an Executive Board elected by the membership. Each member district has an EPC representative. The paid staff of the EPC is limited to a Director, Financial Officer, and Administrative Assistant, in addition to a 3 member

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

benefits team. Each year, the participating school districts pay an enrollment fee for the GRP to cover the costs of administering the program.

Note 16 – Accountability

The following individual fund had a deficit in fund balance at year end:

Fund	Deficit
Special Revenue:	
School Reading Incentive Award	\$5,909
Title II Eisenhower	30,407
Title VIB	7,812

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 17 - Fund Balance Reserves For Set-Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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.

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirements	237,299
Qualified Disbursements	<u>(299,030)</u>
Set Aside Reserve Balance as of June 30, 2014	<u>(\$61,731)</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$299,030, which exceeded the required set-aside and reserve balance.

Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 18 - Interfund Transactions

Interfund transactions at June 30, 2014, consisted of the following funds for transfers in and out:

	Transfers	
	In	Out
General Fund	\$0	\$1,200,000
Other Governmental Funds	1,200,000	0
Total All Funds	<u>\$1,200,000</u>	<u>\$1,200,000</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 19 – Fund Balances

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

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Madeira City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Athletics	\$0	\$0	\$3,614	\$3,614
Consumer Economics	0	0	51,731	51,731
Career Development	0	0	9,906	9,906
Career Education	0	0	995	995
Food Service	0	0	2,951	2,951
Debt Service	0	1,864,174	0	1,864,174
Building	0	0	48	48
Total Restricted	0	1,864,174	69,245	1,933,419
Assigned to:				
Public School Support	25,876	0	0	25,876
Budgetary Resource	269,884	0	0	269,884
Permanent Improvement	0	0	190,387	190,387
Total Assigned	295,760	0	190,387	486,147
Unassigned (Deficit)	10,051,559	0	(44,128)	10,007,431
Total Fund Balance	\$10,347,319	\$1,864,174	\$215,504	\$12,426,997

Note 20 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement Number 67, *Financial Reporting from Pension Plans* – an amendment of GASB Statement Number 25. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District. GASB Statement Number 67 replaces the requirements of Statements Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans*, and Number 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2013, and have been implemented by the District. The implementation of GASB 67 had no effect on the financial statements.

Madeira City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,361,727	\$12,705,475	\$12,706,329	\$854
Revenue in lieu of taxes	211,904	217,796	217,811	15
Tuition and Fees	22,948	23,586	23,588	2
Investment Earnings	14,519	14,923	14,924	1
Intergovernmental	4,399,697	4,522,041	4,522,345	304
Extracurricular Activities	71,911	73,911	73,916	5
Charges for Services	10,023	10,301	10,302	1
Other Revenues	97,312	100,018	100,025	7
Total Revenues	17,190,041	17,668,051	17,669,240	1,189
Expenditures:				
Current:				
Instruction:				
Regular	7,719,848	8,115,885	7,919,320	196,565
Special	2,030,960	2,135,151	2,083,438	51,713
Other	432,738	454,937	443,919	11,018
Support Services:				
Pupil	1,188,254	1,249,213	1,218,957	30,256
Instructional Staff	439,582	462,133	450,940	11,193
General Administration	45,135	47,450	46,301	1,149
School Administration	1,158,490	1,217,922	1,188,424	29,498
Fiscal	545,558	573,546	559,655	13,891
Business	57,839	60,807	59,334	1,473
Operations and Maintenance	1,479,176	1,555,059	1,517,396	37,663
Pupil Transportation	824,929	867,249	846,244	21,005
Central	12,321	12,953	12,639	314
Extracurricular Activities	285,827	300,490	293,212	7,278
Capital Outlay	106,255	111,705	109,000	2,705
Total Expenditures	16,326,912	17,164,500	16,748,779	415,721
Excess of Revenues Over (Under) Expenditures	863,129	503,551	920,461	416,910
Other Financing Sources (Uses):				
Transfers (Out)	(1,169,774)	(1,229,785)	(1,200,000)	29,785
Total Other Financing Sources (Uses)	(1,169,774)	(1,229,785)	(1,200,000)	29,785
Net Change in Fund Balance	(306,645)	(726,234)	(279,539)	446,695
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	7,121,598	7,121,598	7,121,598	0
Fund Balance - End of Year	\$6,814,953	\$6,395,364	\$6,842,059	\$446,695

See accompanying notes to the required supplementary information.

Madeira City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).

Madeira City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$32,469)
Revenue Accruals	(837,084)
Expenditure Accruals	1,256,713
Issuance of Debt	(240,323)
Encumbrances	(327,921)
Funds Budgeted Elsewhere	<u>(98,455)</u>
Budget Basis	<u><u>(\$279,539)</u></u>



Dave Yost • Auditor of State

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

Madeira City School District
Hamilton County
7465 Loannes Drive
Cincinnati, Ohio 45243

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madeira City School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 5, 2014, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 5, 2014



Dave Yost • Auditor of State

MADEIRA CITY SCHOOL DISTRICT

HAMILTON 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
SEPTEMBER 23, 2014**