



**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Madison Plains Local School District  
Madison County  
55 Linson Road  
London, Ohio 43140

We have audited the accompanying general-purpose financial statements of the Madison Plains Local School District, Madison County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Madison Plains Local School District, Madison County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2000 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**JIM PETRO**  
Auditor of State

March 29, 2000

**Madison Plains Local School District**



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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 1999	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
<b>Assets and Other Debits:</b>										
Equity in Pooled Cash and Investments	\$ 839,345	127,260	18,334	378,379	8,156	202,607	35,523	0	0	\$ 1,609,604
Cash with Fiscal Agent	0	0	0	0	0	6,889	0	0	0	6,889
Restricted Cash	115,814	0	0	0	0	0	0	0	0	115,814
Taxes Receivable	3,622,676	0	54,000	284,155	0	0	0	0	0	3,960,831
Intergovernmental Receivables	350	40,482	0	0	0	0	0	0	0	40,832
Accounts Receivable	200	106	0	0	27	510	1,110	0	0	1,953
Prepaid Premiums	0	0	0	0	0	36,984	0	0	0	36,984
Supplies Inventory	0	0	0	0	3,918	0	0	0	0	3,918
Inventory for Resale	0	0	0	0	15,500	0	0	0	0	15,500
Property, Plant & Equipment	0	0	0	0	248,312	21,253	0	10,427,881	0	10,697,446
Accumulated Depreciation, where applicable	0	0	0	0	(95,969)	(3,581)	0	0	0	(99,550)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	18,334	18,334
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	900,889	900,889
<b>Total Assets and Other Debits</b>	<b>\$ 4,578,385</b>	<b>167,848</b>	<b>72,334</b>	<b>662,534</b>	<b>179,944</b>	<b>264,662</b>	<b>36,633</b>	<b>10,427,881</b>	<b>919,223</b>	<b>\$ 17,309,444</b>

(Continued)



**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS, Continued**  
**JUNE 30, 1999**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term	1999 (Memorandum Only)
<b>Liabilities:</b>										
Intergovernmental Payable	\$ 148,572	2,979	0	0	15,261	0	0	0	73,372	\$ 240,184
Accounts Payable	21,040	12,200	0	14,866	537	5,405	36	0	0	54,084
Claims Payable	0	0	0	0	0	113,200	0	0	0	113,200
Accrued Salaries and Benefits	842,155	22,170	0	0	31,086	0	0	0	0	895,411
Deferred Revenue	2,085,295	0	54,000	154,117	6,303	0	0	0	0	2,299,715
Due to Others	0	0	0	0	0	0	36,597	0	0	36,597
Capital Lease Payable	0	0	0	0	0	0	0	0	66,850	66,850
Energy Conservation Bonds Payable	0	0	0	0	0	0	0	0	145,000	145,000
Compensated Absences Payable	14,161	0	0	0	12,151	0	0	0	634,001	660,313
<b>Total Liabilities</b>	<b>3,111,223</b>	<b>37,349</b>	<b>54,000</b>	<b>168,983</b>	<b>65,338</b>	<b>118,605</b>	<b>36,633</b>	<b>0</b>	<b>919,223</b>	<b>4,511,354</b>
<b>Fund Equity and Other Credits:</b>										
Investment in General Fixed Assets	0	0	0	0	0	0	0	10,427,881	0	10,427,881
Contributed Capital	0	0	0	0	79,787	0	0	0	0	79,787
Retained Earnings	0	0	0	0	34,819	146,057	0	0	0	180,876
<b>Fund Balances:</b>										
Reserved for Encumbrances	42,074	15,020	0	256	0	0	0	0	0	57,350
Reserved for Future Appropriation	1,537,381	0	0	130,038	0	0	0	0	0	1,667,419
Reserved for Debt Service	0	0	18,334	0	0	0	0	0	0	18,334
Reserved for Budget Stabilization	115,814	0	0	0	0	0	0	0	0	115,814
Unreserved Fund Balance	(228,107)	115,479	0	363,257	0	0	0	0	0	250,629
<b>Total Fund Equity</b>	<b>1,467,162</b>	<b>130,499</b>	<b>18,334</b>	<b>493,551</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,109,546</b>
<b>Total Fund Balances/Retained Earnings and Other</b>	<b>1,467,162</b>	<b>130,499</b>	<b>18,334</b>	<b>493,551</b>	<b>114,606</b>	<b>146,057</b>	<b>0</b>	<b>10,427,881</b>	<b>0</b>	<b>12,798,090</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 4,578,385</b>	<b>167,848</b>	<b>72,334</b>	<b>662,534</b>	<b>179,944</b>	<b>264,662</b>	<b>36,633</b>	<b>10,427,881</b>	<b>919,223</b>	<b>\$ 17,309,444</b>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>					
Taxes	\$ 4,288,553	0	68,380	305,014	\$ 4,661,947
Tuition	7,325	0	0	0	7,325
Transportation Fees	30,386	0	0	0	30,386
Earnings on Investments	84,224	0	0	0	84,224
Extracurricular Activities	0	87,517	0	0	87,517
Classroom Materials & Fees	45,492	0	0	0	45,492
Miscellaneous	5,949	51,496	0	6,676	64,121
<b>Revenue from State Sources</b>					
Unrestricted Grants-in-Aid	4,743,942	0	6,377	140,350	4,890,669
Restricted Grants-in-Aid	4,243	94,845	0	161,344	260,432
Revenue for/on Behalf of District	6,200	0	0	0	6,200
Revenue in Lieu of Taxes	155	0	0	0	155
<b>Revenue from Federal Sources</b>					
Grants-in-Aid	0	283,672	0	0	283,672
<b>Total Revenue</b>	<u>9,216,469</u>	<u>517,530</u>	<u>74,757</u>	<u>613,384</u>	<u>10,422,140</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction</b>					
Regular	4,147,387	68,412	0	9,766	4,225,565
Special	424,025	106,404	0	0	530,429
Vocational	199,871	0	0	0	199,871
Other	13,960	0	0	0	13,960
<b>Supporting Services</b>					
Pupils	278,267	77,795	0	938	357,000
Instructional Staff	295,677	36,044	0	31,782	363,503
Board of Education	20,654	0	0	0	20,654
Administration	848,825	60,729	0	1,700	911,254
Fiscal Services	332,216	0	1,531	6,963	340,710
Business	4,263	0	0	0	4,263
Operation & Maintenance-Plant	673,239	5,355	0	153,231	831,825
Pupil Transportation	718,686	1,681	0	125,886	846,253
Central	164,705	37,750	0	117,926	320,381
<b>Operation of Non-Instructional Services</b>					
Food Service & Community Operations	0	0	0	24,273	24,273
<b>Extracurricular Activities</b>					
Academic & Subject Oriented	39,913	6,269	0	0	46,182
Sports Oriented	153,620	54,993	0	0	208,613
Co-Curricular Activities	10,151	2,116	0	0	12,267
<b>Capital Outlay</b>					
Building Improvements	0	0	0	43,318	43,318
<b>Debt Service</b>					
Repayment of Debt	0	0	236,847	0	236,847
<b>Total Expenditures</b>	<u>8,325,459</u>	<u>457,548</u>	<u>238,378</u>	<u>515,783</u>	<u>9,537,168</u>
<b>Excess (Deficiency) of Revenues</b>					
Over (Under) Expenditures	891,010	59,982	(163,621)	97,601	884,972
<b>Other Financing Sources and Uses:</b>					
Sale and Loss of Assets	4,227	0	0	0	4,227
Other Sources	4,074	0	0	0	4,074
Other Uses	0	(29,058)	0	0	(29,058)
<b>Net Other Financing Sources and Uses</b>	<u>8,301</u>	<u>(29,058)</u>	<u>0</u>	<u>0</u>	<u>(20,757)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditure</b>					
Disbursement and Other Uses	899,311	30,924	(163,621)	97,601	864,215
<b>Beginning Fund Balance</b>	<u>567,851</u>	<u>99,575</u>	<u>181,955</u>	<u>395,950</u>	<u>1,245,331</u>
<b>Ending Fund Balance</b>	<u>\$ 1,467,162</u>	<u>130,499</u>	<u>18,334</u>	<u>493,551</u>	<u>\$ 2,109,546</u>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 3,584,550	3,584,550	0	0	0	\$ 0
Tuition	7,325	7,325	0	0	0	0
Transportation Fees	30,386	30,386	0	0	0	0
Earnings on Investment	77,768	84,215	6,447	0	0	0
Extracurricular Activities	0	0	0	87,579	87,579	0
Classroom Materials and Fees	45,492	45,492	0	0	0	0
Miscellaneous	5,827	5,827	0	51,657	51,657	0
State Unrestricted Grants-In-Aid	4,743,942	4,743,942	0	0	0	0
State Restricted Grants-in-Aid	6,493	6,493	0	58,377	94,845	36,468
Revenue for/on Behalf of District	5,850	5,850	0	0	0	0
Revenue in Lieu of Taxes	155	155	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	217,538	243,189	25,651
<b>Total Revenue</b>	<b>8,507,788</b>	<b>8,514,235</b>	<b>6,447</b>	<b>415,151</b>	<b>477,270</b>	<b>62,119</b>
<b>Expenditures:</b>						
Regular Instruction	4,085,770	4,080,081	5,689	81,605	68,668	12,937
Special Instruction	419,844	419,844	0	127,846	105,949	21,897
Vocational Instruction	195,997	195,997	0	0	0	0
Other Instruction	16,996	16,996	0	0	0	0
Support Services-Pupils	277,537	277,537	0	0	0	0
Support Services-Instructional Staff	302,289	302,289	0	86,538	79,893	6,645
Support Services-Board of Education	20,347	20,347	0	38,845	37,704	1,141
Support Services-Administration	833,848	833,848	0	0	0	0
Fiscal Services	307,714	307,714	0	73,590	59,519	14,071
Support Services-Business	4,263	4,263	0	0	0	0
Operation & Maintenance-Plant	703,719	703,719	0	0	0	0
Support Services-Transportation	700,379	700,379	0	5,355	5,355	0
Support Services-Central	164,081	164,081	0	1,681	1,681	0
Community Services	0	0	0	46,199	42,634	3,565
Academic & Subject Oriented	39,117	39,117	0	0	0	0
Sports Oriented	151,078	151,078	0	6,732	6,732	0
Co-Curricular Activities	10,151	10,151	0	63,582	63,582	0
Building Improvement	0	0	0	2,365	2,365	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>8,233,130</b>	<b>8,227,441</b>	<b>5,689</b>	<b>534,338</b>	<b>474,082</b>	<b>60,256</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>274,658</b>	<b>286,794</b>	<b>12,136</b>	<b>(119,187)</b>	<b>3,188</b>	<b>122,375</b>
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	4,227	4,227	0	0	0	0
Refund of Prior Year Expenditures	4,074	4,074	0	0	0	0
Refund of Prior Years Receipts	0	0	0	(29,058)	(29,058)	0
<b>Total Other Sources (Uses)</b>	<b>8,301</b>	<b>8,301</b>	<b>0</b>	<b>(29,058)</b>	<b>(29,058)</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>282,959</b>	<b>295,095</b>	<b>12,136</b>	<b>(148,245)</b>	<b>(25,870)</b>	<b>122,375</b>
Beginning Fund Balance	575,987	575,987	0	123,489	123,489	0
Prior Year Carry Over Encumbrances	19,037	19,037	0	1,940	1,940	0
<b>Ending Fund Balance</b>	<b>\$ 877,983</b>	<b>890,119</b>	<b>12,136</b>	<b>(22,816)</b>	<b>99,559</b>	<b>\$ 122,375</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**ALL GOVERNMENTAL FUND TYPES- Continued**  
**YEAR ENDED JUNE 30, 1999**

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 117,544	117,544	0	283,912	283,912	\$ 0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	6,676	6,676	0
Miscellaneous	0	0	0	140,350	140,350	0
State Unrestricted Grants-in-Aid	6,377	6,377	0	161,344	161,344	0
State Restricted Grants-in-aid	0	0	0	0	0	0
Revenue for/on Behalf of District	0	0	0	0	0	0
Revenue in Lieu of Taxes	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>123,921</b>	<b>123,921</b>	<b>0</b>	<b>592,282</b>	<b>592,282</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	10,023	10,023	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	938	938	0
Support Services-Instructional Staff	0	0	0	34,084	31,782	2,302
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	1,700	1,700	0
Fiscal Services	1,531	1,531	0	6,963	6,963	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	167,395	167,395	0
Support Services-Transportation	0	0	0	125,886	125,886	0
Support Services-Central	0	0	0	158,238	117,926	40,312
Community Services	0	0	0	12,137	12,137	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Building Improvement	0	0	0	43,318	43,318	0
Repayment of Debt	236,847	236,847	0	0	0	0
<b>Total Expenditures</b>	<b>238,378</b>	<b>238,378</b>	<b>0</b>	<b>560,682</b>	<b>518,068</b>	<b>42,614</b>
Excess of Revenue Over (Under) Expenditures	(114,457)	(114,457)	0	31,600	74,214	42,614
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(114,457)</b>	<b>(114,457)</b>	<b>0</b>	<b>31,600</b>	<b>74,214</b>	<b>42,614</b>
Beginning Fund Balance	132,792	132,792	0	187,380	187,380	0
Prior Year Carry Over Encumbrances	0	0	0	113,797	113,797	0
<b>Ending Fund Balance</b>	<b>\$ 18,335</b>	<b>18,335</b>	<b>0</b>	<b>332,777</b>	<b>375,391</b>	<b>\$ 42,614</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
ALL GOVERNMENTAL FUND TYPES- Continued  
YEAR ENDED JUNE 30, 1999**

	Totals (Memorandum Only)		
	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 3,986,006	3,986,006	\$ 0
Tuition	7,325	7,325	0
Transportation Fees	30,386	30,386	0
Earnings on Investment	77,768	84,215	6,447
Extracurricular Activities	87,579	87,579	0
Classroom Materials and Fees	52,168	52,168	0
Miscellaneous	197,834	197,834	0
State Unrestricted Grants-in-Aid	4,911,663	4,911,663	0
State Restricted Grants-in-aid	64,870	101,338	36,468
Revenue for/on Behalf of District	5,850	5,850	0
Revenue in Lieu of Taxes	155	155	0
Federal Unrestricted Grants-in-Aid	0	0	0
Federal Restricted Grants-in-Aid	217,538	243,189	25,651
<b>Total Revenue</b>	<b>9,639,142</b>	<b>9,707,708</b>	<b>68,566</b>
<b>Expenditures:</b>			
Regular Instruction	4,177,398	4,158,772	18,626
Special Instruction	547,690	525,793	21,897
Vocational Instruction	195,997	195,997	0
Other Instruction	16,996	16,996	0
Support Services-Pupils	278,475	278,475	0
Support Services-Instructional Staff	422,911	413,964	8,947
Support Services-Board of Education	59,192	58,051	1,141
Support Services-Administration	835,548	835,548	0
Fiscal Services	389,798	375,727	14,071
Support Services-Business	4,263	4,263	0
Operation & Maintenance-Plant	871,114	871,114	0
Support Services-Transportation	831,620	831,620	0
Support Services-Central	324,000	283,688	40,312
Food Services Operations	58,336	54,771	3,565
Academic & Subject Oriented	39,117	39,117	0
Sports Oriented	157,810	157,810	0
Co-Curricular Activities	73,733	73,733	0
Building Improvement	45,683	45,683	0
Repayment of Debt	236,847	236,847	0
<b>Total Expenditures</b>	<b>9,566,528</b>	<b>9,457,969</b>	<b>108,559</b>
Excess of Revenue Over (Under) Expenditures	72,614	249,739	177,125
<b>Other Financing Sources (Uses):</b>			
Sale & Loss of Assets	4,227	4,227	0
Refund of Prior Year Expenditures	4,074	4,074	0
Refund of Prior Years Receipts	(29,058)	(29,058)	0
<b>Total Other Sources (Uses)</b>	<b>(20,757)</b>	<b>(20,757)</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	51,857	228,982	177,125
Beginning Fund Balance	1,019,648	1,019,648	0
Prior Year Carry Over Encumbrances	134,774	134,774	0
<b>Ending Fund Balance</b>	<b>\$ 1,206,279</b>	<b>1,383,404</b>	<b>177,125</b>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	
<b>Operating Revenues:</b>			
Food Service	\$ 359,105	0	\$ 359,105
Classroom Materials & Fees	10,679	0	10,679
Insurance Revenues	0	1,166,895	1,166,895
<b>Total Operating Revenue</b>	<b>369,784</b>	<b>1,166,895</b>	<b>1,536,679</b>
<b>Operating Expenses:</b>			
Personal Services - Salary	154,938	0	154,938
Employee Benefits	86,672	0	86,672
Purchased Services	4,047	998,768	1,002,815
Supplies and Materials	250,512	3,901	254,413
Other Expenses	0	416	416
Depreciation	639	1,216	1,855
<b>Total Operating Expenses</b>	<b>496,808</b>	<b>1,004,301</b>	<b>1,501,109</b>
<b>Operating Gain (Loss)</b>	<b>(127,024)</b>	<b>162,594</b>	<b>35,570</b>
<b>Non-Operating Revenues and Expenses:</b>			
Earnings on Investment	98	0	98
State Unrestricted Grants-In-Aid	5,300	0	5,300
Federal Unrestricted Grants-in-Aid	95,904	0	95,904
Miscellaneous	0	1,272	1,272
Federal Commodities	21,664	0	21,664
<b>Total Non-Operating Revenues</b>	<b>122,966</b>	<b>1,272</b>	<b>124,238</b>
Loss on Disposal of Assets	6,455	0	6,455
<b>Total Non-Operating Expenses</b>	<b>6,455</b>	<b>0</b>	<b>6,455</b>
<b>Net Income (Loss)</b>	<b>(10,513)</b>	<b>163,866</b>	<b>153,353</b>
<b>Beginning Retained Earnings</b>	<b>45,332</b>	<b>(17,809)</b>	<b>27,523</b>
<b>Retained Earnings at End of Year</b>	<b>\$ 34,819</b>	<b>146,057</b>	<b>\$ 180,876</b>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	
<b>Cash Flows from Operating Activities</b>			
Operating Income (Loss)	\$ (127,024)	162,594	\$ 35,570
<b>Adjustment to Reconcile Operating Income (Loss)</b>			
To Net Cash used in Operating Activities:			
Depreciation	639	1,216	1,855
<b>Net (Increase) Decrease in Assets:</b>			
Accounts Receivable	68	(510)	(442)
Prepaid Premiums	0	(36,984)	(36,984)
Inventory	3,559	0	3,559
<b>Net Increases (Decreases) in Liabilities:</b>			
Accounts Payable	537	5,405	5,942
Intergovernmental Payable	(304)	0	(304)
Deferred Revenue	(2,540)	0	(2,540)
Claims Payable	0	(115,803)	(115,803)
Accrued Wages and Benefits	6,051	0	6,051
Compensated Absences	2,065	0	2,065
Total Adjustments	<u>10,075</u>	<u>(146,676)</u>	<u>(136,601)</u>
<b>Net Cash Used in Operating Activities</b>	<b>(116,949)</b>	<b>15,918</b>	<b>(101,031)</b>
<b>Cash Flows from Noncapital Activates</b>			
Earnings on Investment	98	0	98
Grants from State Sources	5,300	0	5,300
Grants from Federal Sources	95,904	0	95,904
Federal Commodities	21,664	0	21,664
Miscellaneous	0	1,272	1,272
<b>Net Cash Provided by Noncapital Financing Sources</b>	<b>122,966</b>	<b>1,272</b>	<b>124,238</b>
<b>Cash Flows from Capital Financing Sources:</b>			
Acquisition of Capital Assets	0	(4,524)	(4,524)
<b>Net Cash Provided by Capital Financing Sources</b>	<b>0</b>	<b>(4,524)</b>	<b>(4,524)</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>6,017</b>	<b>12,666</b>	<b>18,683</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,139</b>	<b>196,830</b>	<b>198,969</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 8,156</b>	<b>209,496</b>	<b>\$ 217,652</b>

See Accompanying Notes to the General Purpose Financial Statements.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Madison-Plains Local School District was formed in 1968, the result of a consolidation of the Plains District and the Madison South District. This "new" District covered 270 square miles. The newly appointed board of education, Isaiah Call, Donald Dorn, Donald Laird, Marion Moats, and C. B. Stoer, met for the first time on June 22, 1968.

In 1969 the District operated six buildings: Madison Rural School, which housed kindergarten - fourth, seventh and eighth grades; Midway School with first, third, and fifth grades; South Solon School housed kindergarten, first, second, fourth, and sixth grades; Mt. Sterling School with kindergarten through sixth grades and grades nine through twelve; Fairfield School with students in grades kindergarten through eighth, and, lastly, the Madison South High School housed grades ten, eleven, and twelve. Beginning with the 1971/72 school year, all 10th, 11th, and 12th grade students of the district began to attend the Madison South building.

In 1976, the Madison-Plains Local School District was still operating six buildings, employed 105 certified and 69 non-certified employees with an operating budget of just over two million dollars a year. Property valuation was 56 million dollars and the district operated on 22 mills. Student enrollment was 2,013, seventy of whom attended the Central Ohio Joint Vocational School. In 1978, the South Solon Elementary School was closed and sold and the Madison-Plains High School, housing ninth through twelfth grades opened for instruction.

Currently, the district operates six buildings - four elementary schools housing grades kindergarten through fifth; one middle school with grades six, seven, and eight; and one high school which houses grades nine through twelve.

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local District as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 1,789. The District employed 7 administrative and supervisory personnel, 103 certified employees and 73 non-certificated employees. The District is supervised by the Madison County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

Funds Types are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

**Governmental Fund Types:**

Governmental Fund Types are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

**General Fund**

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

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

**Debt Service Fund**

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

**Capital Projects Funds**

These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

**Proprietary Fund Types:**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

**Enterprise Funds**

These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

**Proprietary Fund Types: (Continued)**

determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Internal Service Funds**

These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following is the fiduciary fund type:

**Agency Funds**

These funds are purely custodial and thus do not involve measurement of results of operations.

**Account Groups:**

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

**General Fixed Assets Account Group**

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

**General Long-Term Debt Account Group**

This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**C. Measurement Focus/Basis of Accounting**

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus/Basis of Accounting (Continued)**

- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
  - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
  - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 1999 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

**D. Budget and Budgetary Accounting**

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in July. The Annual Appropriation Resolution is usually adopted at the September regular board meeting.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budget and Budgetary Accounting (Continued)**

The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.

- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**E. Cash and Investments**

To improve cash managements, cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet. During the fiscal year all investments were limited to overnight repurchase agreements. Investments are reported at cost.

For the District, all investment earnings accrue to the General Fund and Enterprise Fund as authorized by board resolution. Interest income earned in fiscal year 1999 totaled \$84,322.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available". "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**G. Inventories**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, textbooks, and general supplies, and are expended when used.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required. The District is a member of the Ross County School Employees Insurance Consortium which processes and pays claims legitimate against its members. During the year, the District paid premium in excess of claims which has been reported on the balance sheet as prepaid claims.

**I. Fixed Assets**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Due to the consolidation, some historical records for buildings were not available. Estimated historical value was based upon a 1969 Ohio State University educational facility needs report.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District does not record infrastructure. Assets in the general fixed assets account group are not depreciated.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fixed Assets (Continued)**

Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets (five to twenty years).

**J. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

**Entitlements:**

**General Fund**

- State Foundation Program
- Homestead and Rollback Property Tax Exemption
- School Bus Funding

**Special Revenue Funds**

- Educational Management Information Systems

**Capital Projects Fund**

- School Net Funding

**Non-Reimbursable Grants:**

**Special Revenue Funds**

- Career Education
- Teacher Development
- Excellence in Education
- Textbook Subsidy Fund
- Data Communication Subsidy Fund
- Miscellaneous State Grants
- Title III
- Title VI B
- Title I
- Eisenhower Math/Science
- Drug Free Schools
- Early Childhood Education
- Telecommunications Act Grant
- Miscellaneous Federal Grants

**Reimbursable Grants:**

**General Fund**

- Driver Education Reimbursement
- Tutor Reimbursement

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Intergovernmental Revenues (Continued)**

Grants and entitlements amounted to approximately 52% of the District's operating revenue during the 1999 fiscal year.

**K. Compensated Absences**

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**L. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Interfund Transactions (Continued)**

as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Fund Balance Reserves**

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for encumbrances, budget stabilization, debt, and future appropriation. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**O. Use of Estimates in Preparation of Financial Statements**

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.

**P. Restricted Cash**

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

**Q. Memorandum Only - Total Columns**

Total columns on the general purposes financial statements are captioned "Memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. BUDGETARY BASIS OF ACCOUNTING**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ 899,311	30,924	(163,621)	\$ 97,601
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(702,234)	(40,260)	49,164	(21,102)
Due to Expenditures:				
Net Adjustments to Expenditure	98,018	(16,534)	0	(2,285)
Budget Basis	<u>\$ 295,095</u>	<u>(25,870)</u>	<u>(114,457)</u>	<u>\$ 74,214</u>

**3. CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**3. CASH AND CASH EQUIVALENTS (continued)**

1. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits:** At year end, the carrying amount of the District's deposits was \$75,984 and the bank balance was \$149,289. Also, the District had \$97 cash on hand and \$6,889 of cash with fiscal agent. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$49,289 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**3. CASH AND CASH EQUIVALENTS (continued)**

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name..

	Category			Reported Amount	Fair Value
	1	2	3		
Repurchase Agreement			\$ 1,649,337	\$ 1,649,337	\$ 1,649,337
Total Investments				<u>\$ 1,649,337</u>	<u>\$ 1,649,337</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$ 1,725,418	\$ 0
Investments:		
Repurchase Agreement	(1,649,337)	1,649,337
GASB Statement No.3	<u>\$ 76,081</u>	<u>\$ 1,649,337</u>

**4. PROPERTY TAX**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Madison County Auditor at 35% of appraised market value.

All property is required to be revalued every six years. The last revaluation update for the District was completed in 1999. The next revaluation is scheduled for 2002. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Madison County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25%

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**4. PROPERTY TAX (Continued)**

of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Madison County Treasurer collects property tax on behalf of the District. The Madison County Auditor remits to the District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$32.95 per \$1,000 of assessed valuation and \$2.50 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 8,412,250
Real Property-Residential/Agricultural	94,922,170
Personal Property-General	<u>32,525,090</u>
Total Assessed Value	<u><u>\$ 135,859,510</u></u>

**5. RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education Subsidy	\$ 350
Special Revenue Funds:	
Title VI B	13,146
Title I	10,814
E Rate Subsidy	<u>16,522</u>
Total Special Revenue	<u>40,482.</u>
Total Intergovernmental Receivable	<u><u>\$ 40,832</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**6. FIXED ASSETS**

The following is a summary of the proprietary fund types property, plant and equipment at June 30, 1999:

	Enterprise Fund	Internal Service Fund
Furniture and Equipment	\$ 248,312	\$ 21,253
Less Accumulated Depreciation	(95,969)	(3,581)
Net Fixed Assets	<u>\$ 152,343</u>	<u>\$ 17,672</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land, Buildings & Improvements	\$ 5,706,874	117,404	0	\$ 5,824,278
Furniture and Equipment	2,894,854	158,281	27,138	3,025,997
Vehicles	1,406,606	171,000	0	1,577,606
Total General Fixed Assets	<u>\$ 10,008,334</u>	<u>446,685</u>	<u>27,138</u>	<u>\$ 10,427,881</u>

There was no significant construction in progress at June 30, 1999.

**7. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$582,852, \$545,721, and \$585,528, respectively; 82.9 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$99,376 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion used to fund pension obligations. 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$191,424, \$176,560, and \$172,176, respectively; 43.9 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$117,324 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**8. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 3.5 percent. For the District, this amount equaled \$145,713 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$86,108 during the 1999 fiscal year.

**9. COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the Superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-3	10 days
4-7	12 days
8-10	15 days
11-15	18 days
16-25	20 days
Over 25	22 days

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 260 days and for certified employees it is 265 days.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty eight days. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty-eight days.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**10. RISK MANAGEMENT**

**A. General Risk**

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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, The District maintains a \$1,000,000 umbrella liability policy, a \$50,000 worker's compensation defense cost liability policy, and a \$500,000 employee benefits liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$20,814,900.

**B. Workers Compensation-Public Entity Risk Pool**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the School district by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

**C. Health Insurance**

The District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. The Consortium provides medical/surgical, dental, vision, and life insurance through a third party administrator, Professional Risk Management Co. Participation depends on which coverages the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school district. The participating school districts pay an administrative fee to the fiscal agent to cover the cost of administering the Consortium. Financial information may be obtained by contacting the Treasurer, Westfall Local School District, 19463 Pherson Pike, Williamsport, Ohio 43164.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**10. RISK MANAGEMENT (Continued)**

**C. Health Insurance (Continued)**

Claims liabilities are reported at their present value of \$113,200 at June 30, 1999. A summary of changes in self-insurance claims follows:

	June 30, 1999	June 30, 1998
Claim Liabilities at beginning of year	\$ 229,002	\$ 77,030
Incurred Claims	696,660	1,063,389
Claims Paid	(812,462)	(911,417)
Claim Liabilities at end of year	<u>\$ 113,200</u>	<u>\$ 229,002</u>

**11. NOTES AND LONG-TERM DEBT**

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance			Balance
	July 1, 1998	Additions	Deletions	June 30, 1999
Intergovernmental Payable	\$ 71,488	73,372	71,488	\$ 73,372
General Obligation Bonds Payable	175,000	0	175,000	0
Capital Leases Payable	0	66,850	0	66,850
Energy Conservation Bonds	190,000	0	45,000	145,000
Compensated Absences Payable	624,872	9,129	0	634,001
	<u>\$ 1,061,360</u>	<u>149,351</u>	<u>291,488</u>	<u>\$ 919,223</u>

The annual maturities of the general obligation bonds (Energy Conservation Bonds) as of June 30, 1999, and related interest payments are as follows:

Year	Principal	Interest	Payment
2000	\$ 45,000	8,882	\$ 53,882
2001	50,000	5,438	55,438
2002	50,000	1,813	51,813
	<u>\$ 145,000</u>	<u>16,133</u>	<u>\$ 161,133</u>

The District is making installment payments on food service equipment purchased with an original value of \$79,787. This equipment has been capitalized in the enterprise fund. This obligation provides for interest at rates 8.96%, with an outstanding balance of \$66,850 at June 30, 1999.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments for computer equipment in the Governmental funds as of June 30, 1999:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**11. NOTES AND LONG-TERM DEBT (Continued)**

	Year Ending June 30
FY2000	\$ 24,073
FY2001	24,073
FY2002	24,073
Less interest:	(5,369)
Present Value of Minimum Lease Payments	\$ 66,850

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$135,860. The voted debt limit at June 30, 1999 is \$12,227,356.

**12. SEGMENTS OF ENTERPRISE ACTIVITIES**

The District maintains two Enterprise Funds to account for the operation of Food Services and Uniform School Supply Sales. Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, is as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Total
Operating Revenues	\$ 359,105	10,679	\$ 369,784
Operating Expenses:			
Depreciation	(639)	0	(639)
Other Expenses	(485,627)	(10,542)	(496,169)
Total Operating Expenses	(486,266)	(10,542)	(496,808)
Operating Income (Loss)	(127,161)	137	(127,024)
Non Operating Revenues and Grants	101,204	0	101,204
Interest	98	0	98
Loss on Disposal of Assets	(6,455)	0	(6,455)
Federal Commodities	21,664	0	21,664
Net Income (Loss)	\$ (10,650)	137	\$ (10,513)
Net Working Capital	\$ (41,622)	3,885	\$ (37,737)
Encumbrances	\$ 807	0	\$ 807
Contributed Capital Additions	\$ 79,787	0	\$ 79,787
Total Assets	\$ 176,059	3,885	\$ 179,944
Retained Earnings	\$ 30,934	3,885	\$ 34,819

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Educational Council**

MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

**14. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

**B. Litigation**

The District is a defendant in a legal proceeding pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

**15. SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional.

The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$4,261,495 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of this date, the Ohio Supreme Court has not rendered an opinion on this issue.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**15. SCHOOL FUNDING DECISION (continued)**

The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**16. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1998	\$ 0	0	46,295	\$ 46,295
Current Year Set-Aside Requirement	139,038	139,038	69,519	347,595
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(189,878)	(249,723)	0	(439,601)
Total	<u>(50,840)</u>	<u>(110,685)</u>	<u>115,814</u>	<u>(45,711)</u>
Cash Balance Carried Forward to FY2000	<u>\$ 0</u>	<u>0</u>	<u>115,814</u>	
Amount Restricted for Budget Stabilization				<u>\$ 115,814</u>
Total Restricted Assets				<u>\$ 115,814</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirement of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor: Pass-Through Grantor: Program Grant Title	Pass- Through Grantor Number	CFDA #	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department Agriculture</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution		10.550	\$0	\$19,124	\$0	\$21,663
School Breakfast Program	05-PU	10.553	11,155	0	11,155	0
National School Lunch	03/04-PU	10.555	84,748	0	84,748	0
Total U.S. Department of Agriculture -Child Nutrition Cluster			95,903	19,124	95,903	21,663
<b>U.S. Department of Education:</b>						
E-Rate		84.xxx	7,915		7,915	
<i>Passed Through Ohio Department of Education</i>						
Special Education grants to States and Special Education-Preschool Grants	6B-SF	84.027	75,050	0	82,488	0
Title 1, Part A, IASA	C1-S1	84.010	95,676	0	99,457	0
State and Drug Free Schools- State Grants Title IV, Part A, Subpart 1 of ESEA	DR-S1	84.186	9,111	0	11,767	0
Math & Science	MS-S1,4	84.281	6,038	0	10,251	0
Title VI	C2-S1	84.298	6,492	0	6,492	0
Total U.S. Department of Education			200,282	0	218,370	0
<b>U.S. Department of Labor</b>						
<i>Passed Through Ohio Department of Education</i>						
School To Work	WK/BE	17.249	10,000	0	785	0
School Age Childcare		93.673	28,946	0	28,946	0
Total U.S. Department of Labor			38,946	0	29,731	0
<b>Total Federal Awards</b>			<b>\$335,131</b>	<b>\$19,124</b>	<b>\$344,004</b>	<b>\$21,663</b>

The notes to the Schedule of Federal Awards, Receipts, and Expenditures are an integral part of this statement.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 1999**

- Note A -** The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.
- Note B-** Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999 the District had no significant food commodities in inventory.





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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education  
Madison Plains Local School District  
Madison County  
55 Linson Road  
London, Ohio 43140

We have audited the general-purpose financial statements of the Madison Plains Local School District, Madison County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated March 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 29, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 29, 2000.

Board of Education  
Madison Plains Local School District  
Madison County  
Report on Compliance and on Internal Control  
*Required by Government Auditing Standards*  
Page 2

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

**JIM PETRO**  
Auditor of State

March 29, 2000



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

Board of Education  
Madison Plains Local School District  
Madison County  
55 Linson Road  
London, Ohio 43140

**Compliance**

We have audited the compliance of Madison Plains Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Madison Plains Local School District  
Madison County  
Report on Compliance With Requirements Applicable to Each Major  
Federal Program and Internal Control Over Compliance  
In Accordance With OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**JIM PETRO**  
Auditor of State

March 29, 2000

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Program Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster Food Distribution CFDA # 10.550 School Breakfast Program CFDA # 10.553 National School Lunch CFDA # 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MADISON PLAINS LOCAL SCHOOL DISTRICT**

**MADISON 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  
APRIL 18, 2000**