



**MADEIRA CITY SCHOOL DISTRICT
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Madeira City School District, Hamilton County, Ohio (the District), as of and for the fiscal 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 Madeira City School District, Hamilton County, Ohio as of June 30, 1999, and the results of its operations and 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 December 20, 1999 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.

Jim Petro
Auditor of State

December 20, 1999

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Madeira City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

| | Governmental Fund Types | | | |
|--|-------------------------|------------------|------------------|--------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets and Other Debits: | | | | |
| Equity in Pooled Cash and Investments | \$2,425,701 | \$361,270 | \$384,106 | \$1,020,131 |
| Restricted Equity in Pooled Cash | 130,021 | 0 | 0 | 0 |
| Receivables: | | | | |
| Taxes | 5,573,916 | 0 | 456,895 | 0 |
| Intergovernmental | 5,950 | 0 | 0 | 0 |
| Accounts | 2,321 | 1,497 | 0 | 0 |
| Interfund Receivable | 0 | 13,990 | 0 | 0 |
| Inventory | 0 | 0 | 0 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 |
| Other Debits: | | | | |
| Amount Available in Debt Service Fund for Retirement of General Obligation Bonds | 0 | 0 | 0 | 0 |
| Amount to be Provided for Retirement of General Long-Term Obligations | 0 | 0 | 0 | 0 |
| Total Assets & Other Debits | \$8,137,909 | \$376,757 | \$841,001 | \$1,020,131 |
| Liabilities, Fund Equity & Other Credits: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$40,759 | \$5,876 | \$0 | \$0 |
| Accrued Wages & Benefits | 1,319,709 | 56,328 | 0 | 0 |
| Compensated Absences Payable | 15,100 | 0 | 0 | 0 |
| Interfund Payable | 13,990 | 0 | 0 | 0 |
| Deferred Revenue | 3,495,916 | 0 | 276,895 | 0 |
| Due to Students | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Notes Payable | 0 | 0 | 0 | 0 |
| Total Liabilities | 4,885,474 | 62,204 | 276,895 | 0 |
| Fund Equity & Other Credits: | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 37,072 | 40,122 | 0 | 376,036 |
| Reserved for Property Tax Advances | 2,078,000 | 0 | 180,000 | 0 |
| Reserved For Set-Asides | 130,021 | 0 | 0 | 0 |
| Unreserved & Undesignated | 1,007,342 | 274,431 | 384,106 | 644,095 |
| Total Fund Equity (Deficit) & Other Credits | 3,252,435 | 314,553 | 564,106 | 1,020,131 |
| Total Liabilities, Fund Equity & Other Credits | \$8,137,909 | \$376,757 | \$841,001 | \$1,020,131 |

See accompanying notes.

| Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|------------------------|------------------|----------------------|----------------------|-------------------------------|--------------------------|
| Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Obligations | |
| \$231,619 | \$7,922 | \$42,950 | \$0 | \$0 | \$4,473,699 |
| 0 | 0 | 0 | 0 | 0 | 130,021 |
| 0 | 0 | 0 | 0 | 0 | 6,030,811 |
| 2,509 | 0 | 0 | 0 | 0 | 8,459 |
| 0 | 0 | 0 | 0 | 0 | 3,818 |
| 0 | 0 | 0 | 0 | 0 | 13,990 |
| 4,759 | 0 | 0 | 0 | 0 | 4,759 |
| 6,167 | 0 | 0 | 9,547,134 | 0 | 9,553,301 |
| 0 | 0 | 0 | 0 | 564,106 | 564,106 |
| 0 | 0 | 0 | 0 | 5,723,606 | 5,723,606 |
| <u>\$245,054</u> | <u>\$7,922</u> | <u>\$42,950</u> | <u>\$9,547,134</u> | <u>\$6,287,712</u> | <u>\$26,506,570</u> |
| \$995 | \$0 | \$301 | \$0 | \$0 | \$47,931 |
| 31,157 | 0 | 0 | 0 | 37,039 | 1,444,233 |
| 2,305 | 0 | 0 | 0 | 381,873 | 399,278 |
| 0 | 0 | 0 | 0 | 0 | 13,990 |
| 3,911 | 0 | 0 | 0 | 0 | 3,776,722 |
| 0 | 0 | 26,459 | 0 | 0 | 26,459 |
| 0 | 0 | 0 | 0 | 5,690,000 | 5,690,000 |
| 0 | 0 | 0 | 0 | 178,800 | 178,800 |
| <u>38,368</u> | <u>0</u> | <u>26,760</u> | <u>0</u> | <u>6,287,712</u> | <u>11,577,413</u> |
| 0 | 0 | 0 | 9,547,134 | 0 | 9,547,134 |
| 206,686 | 7,922 | 0 | 0 | 0 | 214,608 |
| 0 | 0 | 0 | 0 | 0 | 453,230 |
| 0 | 0 | 0 | 0 | 0 | 2,258,000 |
| 0 | 0 | 0 | 0 | 0 | 130,021 |
| 0 | 0 | 16,190 | 0 | 0 | 2,326,164 |
| <u>206,686</u> | <u>7,922</u> | <u>16,190</u> | <u>9,547,134</u> | <u>0</u> | <u>14,929,157</u> |
| <u>\$245,054</u> | <u>\$7,922</u> | <u>\$42,950</u> | <u>\$9,547,134</u> | <u>\$6,287,712</u> | <u>\$26,506,570</u> |

Madeira City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 1999

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|--------------------|------------------|---------------------|------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Revenues: | | | | | | |
| Taxes | \$6,355,226 | \$0 | \$540,739 | \$0 | \$0 | \$6,895,965 |
| Intergovernmental | 2,921,104 | 548,222 | 65,822 | 43,987 | 0 | 3,579,135 |
| Investment | 191,146 | 3,092 | 9,788 | 102,173 | 87 | 306,286 |
| Tuition & Fees | 32,284 | 0 | 0 | 0 | 0 | 32,284 |
| Extracurricular Activities | 0 | 248,174 | 0 | 0 | 312 | 248,486 |
| Miscellaneous | 31,692 | 16,044 | 0 | 82,396 | 6,225 | 136,357 |
| Total Revenues | 9,531,452 | 815,532 | 616,349 | 228,556 | 6,624 | 11,198,513 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 4,925,176 | 35,828 | 0 | 44,335 | 0 | 5,005,339 |
| Special | 643,808 | 129,292 | 0 | 0 | 0 | 773,100 |
| Vocational | 0 | 3,858 | 0 | 0 | 0 | 3,858 |
| Other | 31,615 | 0 | 0 | 0 | 0 | 31,615 |
| Support Services: | | | | | | |
| Pupils | 636,320 | 90,106 | 0 | 0 | 7,056 | 733,482 |
| Instructional Staff | 332,250 | 31,513 | 0 | 0 | 1,407 | 365,170 |
| Board of Education | 14,688 | 0 | 0 | 0 | 0 | 14,688 |
| Administration | 755,600 | 0 | 0 | 0 | 0 | 755,600 |
| Fiscal | 222,142 | 0 | 6,507 | 0 | 0 | 228,649 |
| Business | 44,418 | 0 | 0 | 0 | 0 | 44,418 |
| Operation & Maintenance of Plant | 850,061 | 0 | 0 | 0 | 0 | 850,061 |
| Pupil Transportation | 484,185 | 0 | 0 | 0 | 0 | 484,185 |
| Central | 72,981 | 5,000 | 0 | 0 | 0 | 77,981 |
| Operation of Non-Instructional Services | 1,731 | 179,140 | 0 | 0 | 324 | 181,195 |
| Extracurricular Activities | 230,062 | 194,027 | 0 | 0 | 0 | 424,089 |
| Capital Outlay | 0 | 0 | 0 | 3,089,669 | 0 | 3,089,669 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 180,800 | 0 | 0 | 180,800 |
| Interest & Fiscal Charges | 0 | 0 | 338,387 | 0 | 0 | 338,387 |
| Total Expenditures | 9,245,037 | 668,764 | 525,694 | 3,134,004 | 8,787 | 13,582,286 |
| Excess of Revenues Over (Under) Expenditures | 286,415 | 146,768 | 90,655 | (2,905,448) | (2,163) | (2,383,773) |
| Other Financing Sources (Uses): | | | | | | |
| Refund of Prior Year Expenditures | 7,913 | 120 | 0 | 0 | 0 | 8,033 |
| Operating Transfers In | 0 | 10,600 | 72,879 | 175,000 | 0 | 258,479 |
| Operating Transfers Out | (258,479) | 0 | 0 | 0 | 0 | (258,479) |
| Total Other Financing Sources (Uses) | (250,566) | 10,720 | 72,879 | 175,000 | 0 | 8,033 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses | 35,849 | 157,488 | 163,534 | (2,730,448) | (2,163) | (2,375,740) |
| Fund Balance, Beginning of Year | 3,216,586 | 157,065 | 400,572 | 3,750,579 | 18,353 | 7,543,155 |
| Fund Balance, End of Year | \$3,252,435 | \$314,553 | \$564,106 | \$1,020,131 | \$16,190 | \$5,167,415 |

See accompanying notes.

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Madeira City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 1999

| | General | | | Special Revenue | | |
|---|--------------------|--------------------|---|-------------------|------------------|---|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$5,782,226 | \$5,782,226 | \$0 | \$0 | \$0 | \$0 |
| Intergovernmental | 2,920,254 | 2,920,254 | 0 | 548,420 | 548,222 | (198) |
| Investment | 206,056 | 206,056 | 0 | 3,672 | 3,092 | (580) |
| Tuition & Fees | 26,329 | 32,284 | 5,955 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 249,876 | 248,174 | (1,702) |
| Miscellaneous | 31,167 | 31,167 | 0 | 16,044 | 16,044 | 0 |
| Total Revenues | 8,966,032 | 8,971,987 | 5,955 | 818,012 | 815,532 | (2,480) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 4,892,578 | 4,892,578 | 0 | 40,912 | 40,469 | 443 |
| Special | 634,093 | 634,093 | 0 | 128,565 | 127,468 | 1,097 |
| Vocational | 0 | 0 | 0 | 4,065 | 3,830 | 235 |
| Other | 57,441 | 57,441 | 0 | 0 | 0 | 0 |
| Support Services: | | | | | | |
| Pupils | 605,381 | 605,381 | 0 | 124,314 | 100,069 | 24,245 |
| Instructional Staff | 337,893 | 337,973 | (80) | 38,328 | 33,937 | 4,391 |
| Board of Education | 14,688 | 14,688 | 0 | 0 | 0 | 0 |
| Administration | 742,409 | 742,409 | 0 | 0 | 0 | 0 |
| Fiscal | 207,122 | 207,122 | 0 | 0 | 0 | 0 |
| Business | 40,061 | 40,061 | 0 | 0 | 0 | 0 |
| Operation & Maintenance of Plant | 872,639 | 872,639 | 0 | 0 | 0 | 0 |
| Pupil Transportation | 484,357 | 484,357 | 0 | 0 | 0 | 0 |
| Central | 74,476 | 74,476 | 0 | 5,000 | 5,000 | 0 |
| Operation of Non-Instructional Services | 1,731 | 1,731 | 0 | 197,570 | 190,810 | 6,760 |
| Extracurricular Activities | 221,460 | 221,460 | 0 | 223,776 | 213,862 | 9,914 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest & Fiscal Charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 9,186,329 | 9,186,409 | (80) | 762,530 | 715,445 | 47,085 |
| Excess (Deficiency) of Revenues Over Under Expenditures | (220,297) | (214,422) | 5,875 | 55,482 | 100,087 | 44,605 |
| Other Financing Sources (Uses): | | | | | | |
| Refund of Prior Year Expenditures | 7,913 | 7,913 | 0 | 120 | 120 | 0 |
| Operating Transfers In | 0 | 0 | 0 | 10,600 | 10,600 | 0 |
| Operating Transfers Out | (413,671) | (258,479) | 155,192 | 0 | 0 | 0 |
| Advances In | 8,280 | 13,990 | 5,710 | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 | (13,990) | (13,990) | 0 |
| Total Other Financing Sources (Uses) | (397,478) | (236,576) | 160,902 | (3,270) | (3,270) | 0 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses | (617,775) | (450,998) | 166,777 | 52,212 | 96,817 | 44,605 |
| Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated) | 2,939,074 | 2,939,074 | 0 | 218,456 | 218,456 | 0 |
| Fund Balance, End of Year | \$2,321,299 | \$2,488,076 | \$166,777 | \$270,668 | \$315,273 | \$44,605 |

See accompanying notes.

| Debt Service | | | Capital Projects | | | Totals (Memorandum Only) | | |
|------------------|------------------|-----------------------------------|------------------|------------------|-----------------------------------|--------------------------|--------------------|-----------------------------------|
| Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| \$497,739 | \$497,739 | \$0 | \$0 | \$0 | \$0 | \$6,279,965 | \$6,279,965 | \$0 |
| 65,822 | 65,822 | 0 | 43,987 | 43,987 | 0 | 3,578,483 | 3,578,285 | (198) |
| 0 | 0 | 0 | 114,226 | 114,362 | 136 | 323,954 | 323,510 | (444) |
| 10,299 | 9,788 | (511) | 0 | 0 | 0 | 36,628 | 42,072 | 5,444 |
| 0 | 0 | 0 | 0 | 0 | 0 | 249,876 | 248,174 | (1,702) |
| 0 | 0 | 0 | 82,396 | 82,396 | 0 | 129,607 | 129,607 | 0 |
| <u>573,860</u> | <u>573,349</u> | <u>(511)</u> | <u>240,609</u> | <u>240,745</u> | <u>136</u> | <u>10,598,513</u> | <u>10,601,613</u> | <u>3,100</u> |
| 0 | 0 | 0 | 44,335 | 44,335 | 0 | 4,977,825 | 4,977,382 | 443 |
| 0 | 0 | 0 | 0 | 0 | 0 | 762,658 | 761,561 | 1,097 |
| 0 | 0 | 0 | 0 | 0 | 0 | 4,065 | 3,830 | 235 |
| 0 | 0 | 0 | 0 | 0 | 0 | 57,441 | 57,441 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 729,695 | 705,450 | 24,245 |
| 0 | 0 | 0 | 0 | 0 | 0 | 376,221 | 371,910 | 4,311 |
| 0 | 0 | 0 | 0 | 0 | 0 | 14,688 | 14,688 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 742,409 | 742,409 | 0 |
| 6,507 | 6,507 | 0 | 0 | 0 | 0 | 213,629 | 213,629 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 40,061 | 40,061 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 872,639 | 872,639 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 484,357 | 484,357 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 79,476 | 79,476 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 199,301 | 192,541 | 6,760 |
| 0 | 0 | 0 | 0 | 0 | 0 | 445,236 | 435,322 | 9,914 |
| 0 | 0 | 0 | 3,534,343 | 3,467,296 | 67,047 | 3,534,343 | 3,467,296 | 67,047 |
| 180,800 | 180,800 | 0 | 0 | 0 | 0 | 180,800 | 180,800 | 0 |
| 338,387 | 338,387 | 0 | 0 | 0 | 0 | 338,387 | 338,387 | 0 |
| <u>525,694</u> | <u>525,694</u> | <u>0</u> | <u>3,578,678</u> | <u>3,511,631</u> | <u>67,047</u> | <u>14,053,231</u> | <u>13,939,179</u> | <u>114,052</u> |
| 48,166 | 47,655 | (511) | (3,338,069) | (3,270,886) | 67,183 | (3,454,718) | (3,337,566) | 117,152 |
| 0 | 0 | 0 | 0 | 0 | 0 | 8,033 | 8,033 | 0 |
| 72,879 | 72,879 | 0 | 175,000 | 175,000 | 0 | 258,479 | 258,479 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | (413,671) | (258,479) | 155,192 |
| 0 | 0 | 0 | 0 | 0 | 0 | 8,280 | 13,990 | 5,710 |
| 0 | 0 | 0 | 0 | 0 | 0 | (13,990) | (13,990) | 0 |
| <u>72,879</u> | <u>72,879</u> | <u>0</u> | <u>175,000</u> | <u>175,000</u> | <u>0</u> | <u>(152,869)</u> | <u>8,033</u> | <u>160,902</u> |
| 121,045 | 120,534 | (511) | (3,163,069) | (3,095,886) | 67,183 | (3,607,587) | (3,329,533) | 278,054 |
| 263,571 | 263,571 | 0 | 3,734,632 | 3,734,632 | 0 | 7,155,733 | 7,155,733 | 0 |
| <u>\$384,616</u> | <u>\$384,105</u> | <u>(\$511)</u> | <u>\$571,563</u> | <u>\$638,746</u> | <u>\$67,183</u> | <u>\$3,548,146</u> | <u>\$3,826,200</u> | <u>\$278,054</u> |

Madeira City School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings
 All Proprietary Fund Types
 For the Year Ended June 30, 1999

| | Proprietary Fund Types | | Totals (Memorandum Only) |
|--------------------------------------|---------------------------|---------------------|--------------------------------|
| | Enterprise | Internal Service | |
| Operating Revenues: | | | |
| Charges for Services | \$227,512 | \$0 | \$227,512 |
| Tuition & Fees | 49,500 | 0 | 49,500 |
| Extracurricular Revenue | 1,086 | 39,589 | 40,675 |
| Total Operating Revenues | <u>278,098</u> | <u>39,589</u> | <u>317,687</u> |
| Operating Expenses: | | | |
| Salaries | 277,532 | 0 | 277,532 |
| Fringe Benefits | 75,120 | 0 | 75,120 |
| Purchased Services | 203,878 | 15,118 | 218,996 |
| Materials & Supplies | 98,907 | 1,861 | 100,768 |
| Depreciation | 736 | 0 | 736 |
| Other Operating Expenses | 656 | 21,807 | 22,463 |
| Total Operating Expenses | <u>656,829</u> | <u>38,786</u> | <u>695,615</u> |
| Operating Income (Loss) | <u>(378,731)</u> | <u>803</u> | <u>(377,928)</u> |
| Non-Operating Revenues (Expenses): | | | |
| Investment Revenue | 257 | 0 | 257 |
| Miscellaneous Revenue | 297,568 | 3,000 | 300,568 |
| Donated Commodities | 14,358 | 0 | 14,358 |
| Operating Grants - State & Local | 763 | 0 | 763 |
| Operating Grants - Federal | 19,985 | 0 | 19,985 |
| Total Non-Operating Revenues | <u>332,931</u> | <u>3,000</u> | <u>335,931</u> |
| Net Income | (45,800) | 3,803 | (41,997) |
| Retained Earnings, Beginning of Year | <u>252,486</u> | <u>4,119</u> | <u>256,605</u> |
| Retained Earnings, End of Year | <u>\$206,686</u> | <u>\$7,922</u> | <u>\$214,608</u> |

See accompanying notes.

Madeira City School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended June 30, 1999

| | Proprietary Fund Types | | Totals (Memorandum only) |
|---|---------------------------|---------------------|--------------------------------|
| | Enterprise | Internal Service | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Tuition & Fees | \$49,500 | \$0 | \$49,500 |
| Cash Received from Charges for Services | 227,512 | 0 | 227,512 |
| Cash Received from Extracurricular Sources | 1,086 | 39,589 | 40,675 |
| Cash Payments for Personal Services | (327,316) | 0 | (327,316) |
| Cash Payments for Contract Services | (203,878) | (21,807) | (225,685) |
| Cash Payments for Supplies & Materials | (85,894) | (5,111) | (91,005) |
| Cash Payments for Other Expenses | (656) | (15,118) | (15,774) |
| Net Cash Provided (Used) by Operating Activities | <u>(339,646)</u> | <u>(2,447)</u> | <u>(342,093)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash Received from Operating Grants | 18,710 | 0 | 18,710 |
| Cash Received from Investment Earnings | 257 | 0 | 257 |
| Other | 297,568 | 3,000 | 300,568 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>316,535</u> | <u>3,000</u> | <u>319,535</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition of Capital Assets | <u>(2,512)</u> | <u>0</u> | <u>(2,512)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(2,512)</u> | <u>0</u> | <u>(2,512)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (25,623) | 553 | (25,070) |
| Cash and Cash Equivalents at Beginning of Year | <u>257,242</u> | <u>7,369</u> | <u>264,611</u> |
| Cash and Cash Equivalents at End of Year | <u>\$231,619</u> | <u>\$7,922</u> | <u>\$239,541</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income (Loss) | (\$378,731) | \$803 | (\$377,928) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 736 | 0 | 736 |
| Donated Commodities Used | 14,358 | 0 | 14,358 |
| Changes in Assets and Liabilities: | | | |
| (Increase) Decrease in Materials & Supplies Inventory | 677 | 0 | 677 |
| Increase (Decrease) in Accounts Payable | (3,175) | (3,250) | (6,425) |
| Increase (Decrease) in Accrued Wages & Benefits | 26,252 | 0 | 26,252 |
| Increase (Decrease) in Compensated Absences Payable | (916) | 0 | (916) |
| Increase (Decrease) in Deferred Revenue | 1,153 | 0 | 1,153 |
| Net Cash Provided (Used) by Operating Activities | <u>(\$339,646)</u> | <u>(\$2,447)</u> | <u>(\$342,093)</u> |

See accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A-DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 36.41 non-certificated personnel and 104.27 certificated full time teaching and 7 administrative personnel to provide services to students and other community members.

The District is the 2nd smallest in Hamilton County in terms of enrollment. It currently operates 1 elementary school, 1 middle school (grades 4-6), 1 junior/senior high school (grades 7-12).

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE REPORTING ENTITY

For financial reporting purposes the District's financial statements include the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific financial burdens on the District; OR
2. The organization is fiscally dependent upon the District; OR
3. The nature of the relationship between the District and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

The District had no component units.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following activities are included within the reporting entity:

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

The School District is associated with four organizations, of which three are defined as jointly governed organizations, and the fourth as an insurance purchasing pool. These organizations include the Hamilton/Clermont Cooperative Association/Unified Purchasing Association, Great Oaks Joint Vocational School, Hamilton/Clermont Cooperative Association/Computer Consortium, and the Ohio School boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes L and M to the general purpose financial statements.

BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the District:

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio Revised Code.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Fund Types

Proprietary Funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following are the District's Proprietary Fund Types:

Enterprise Funds

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

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary Funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These included Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in Proprietary Funds.

General Long Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement Focus: Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or "financial flow," measurement focus. Governmental Fund Types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary Fund Types income statements represent increases and decreases in net total assets.

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. Under this basis of accounting 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 fiscal year end. Revenue accrued at the end of the fiscal year included property taxes, interest, tuition, and state and federal grants. Property taxes measurable as of June 30, 1999 whose availability is indeterminable, and are available to the District within 60 days and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

BUDGETARY DATA

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 to the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

By July 1, annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1998-99 and none were significant.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

The original appropriation measure was amended during the year as follows:

| | |
|------------------|-----------|
| Fund Type | |
| Governmental: | |
| General Fund | (269,368) |
| Special Revenue | 178,595 |
| Debt Service | (61,661) |
| Capital Projects | 121,109 |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENCUMBRANCES

Encumbrance accounting is utilized by District Funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all budgeted funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note K provides a reconciliation's of the budgetary basis and GAAP basis of accounting.

CASH AND INVESTMENTS

Cash received by the District is deposited in one bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired) which are stated at cost. State statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements.

Under existing Ohio statutes, all investments earnings accrue to the General Fund except those specifically related to Agency Fund, Auxiliary Services, Student Activities, Employee Benefits, Enterprise Funds accrued to Food Service, certain trust funds and those funds individually authorized by Board resolution.

For purposes of the Statement of Cash Flows (GASB Statement No.9), the District considers the Proprietary Fund portion of pooled cash and investments to be a cash equivalent because the Proprietary Funds may withdraw cash from the pool at any time without prior penalty or notice.

Investments in the District's cash and investments are stated at fair value as determined by quoted market prices.

RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, and textbook reserve. These reserves are required by State Statute and can only be used after receiving approval from the State Superintendent of Public Instruction. For fiscal year 1999 the total reserve amount equaled \$130,021.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

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

INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower of cost (First-in, First-out) or market and are determined by physical count. Inventories are expensed when used rather than when purchased.

FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 5 years.

Proprietary Funds - Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate on a straight-line basis over the following estimated useful lives:

| Asset | Life (years) |
|-----------------------------------|--------------|
| Building | 30 to 50 |
| Building Improvements | 10 to 40 |
| Improvements other than Buildings | 10 to 20 |
| Furniture, Fixtures and Equipment | 5 to 20 |

INTERGOVERNMENTAL REVENUES

In Governmental Funds, non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND TRANSACTIONS

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.

Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.

Short-term interfund loans are reflected as interfund payables/receivables, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District had no long term interfund loans or advances at June 30, 1999.

COMPENSATED ABSENCES

GASB Statement No. 16 specified that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| <u>Vacation</u> | <u>Certified</u> | <u>Administrators</u> | <u>Non-Certificated</u> |
|-------------------------|---|---|--|
| How earned | Not Eligible | 15 days | 10-15 days for each Service year depending on length of service. |
| Maximum Accumulation | Not Applicable | 15 day | 10-15 days |
| Vested | Not Applicable | As Earned | As Earned |
| Termination Entitlement | Not Applicable | Paid upon Termination | Paid upon Termination |
| <u>Sick Leave</u> | | | |
| How Earned | 1 1/4 days per month of employment (15 days per year) | 1 1/4 days per month of employment (15 days per year) | 1 1/4 days per month of employment (15 days per year) |
| Maximum Accumulation | 220 | 220 | 220 |
| Vested | As Earned | As Earned | As Earned |
| Termination Entitlement | Per Contract | Per Contract | Per Contract |

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective Proprietary Fund.

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 resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND BALANCE RESERVES

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, and state mandated budgetary set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

MEMORANDUM ONLY-TOTAL COLUMNS

Total columns on the general purpose 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 changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

PROPRIETARY FUND ACCOUNTING

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

NOTE C – EQUITY IN POOLED CASH AND INVESTMENTS

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

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE C – EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

State legislation now permits interim monies to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance's of federal government agencies or instrumentality's;
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. Bonds 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE C – EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At year-end, the carrying amount of the District’s deposits was \$49,353 and the bank balance was \$324,382. Of the bank balances, \$100,000 was covered by federal depository insurance and the remaining amounts were covered by collateral held by the pledging banks’ trust department pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. Ohio Revised Code Section 135.181 Uniform Depository Act, authorized pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure payment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal depository insurance. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of GASB Statement No. 3.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer'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 broker to dealer or by its department or agent, but not in the District's name.

| | <u>Category</u> | <u>Carrying Value (Fair Value)</u> |
|---------------------------|-----------------|--|
| U.S. Agencies | 1 | \$ 1,806,492 |
| U.S. Treasury Obligations | 1 | 271,789 |
| Money Market Mutual Fund | * | 313,284 |
| Repurchase Agreement | 3 | 1,785,474 |
| Commercial Paper | 3 | <u>377,328</u> |
| Total | | <u>\$ 4,554,367</u> |

(*) The District’s investment in money market mutual funds is unclassified because they are not evidenced by entries that exist in physical or book entry form.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE D--PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based are as follows:

| | |
|-------------------------------|-----------------------|
| Tangible Personal | \$ 9,255,190 |
| Real estate | <u>170,124,030</u> |
| Total assessed property value | <u>\$ 179,379,220</u> |

In 1999, real property taxes were levied in April on the assessed values as of January 1, 1998, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January, 1998. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 1999, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 1999, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due in June 20th.

The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which are measurable at the current year end. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$2,258,000 and is recognized as revenue.

NOTE E--FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

| | <u>June 30,1998</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 1999</u> |
|------------------------------|---------------------|--------------------|-------------------|----------------------|
| Land | \$ 324,147 | \$ 0 | \$ 0 | \$ 324,147 |
| Buildings | 4,842,436 | 2,518,021 | 0 | 7,360,457 |
| Furniture Fixtures/Equipment | <u>1,510,896</u> | <u>358,861</u> | <u>7,227</u> | <u>1,862,530</u> |
| Total | <u>\$ 6,677,479</u> | <u>\$2,876,882</u> | <u>\$ 7,227</u> | <u>\$ 9,547,134</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE E--FIXED ASSETS (Continued)

A summary of the Proprietary Fund fixed assets at June 30, 1999 follows:

| | | |
|-------------------------------------|----|-----------------|
| Furniture and Equipment | \$ | 42,973 |
| Less Accumulated Depreciation | | <u>(36,806)</u> |
| Net Fixed Assets - Proprietary Fund | \$ | <u>6,167</u> |

NOTE F -DEBT

LONG-TERM

The District has issued unvoted general obligation energy conservation notes for the purpose of providing energy savings to the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372.

The following is a description of the district's bonds outstanding as of June 30, 1999:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Balance June 30, 1998</u> | <u>Increase (Decrease) 1999</u> | <u>Balance June 30, 1999</u> |
|--|----------------------|-------------------|----------------------|------------------------------|---------------------------------|------------------------------|
| Energy Saving Renewal Note | 4.95% | 04-10-96 | 04-10-01 | 117,000 | (39,000) | 78,000 |
| Energy Saving Note General Obligation | 5.00% | 07-01-95 | 06-30-00 | 117,600 | (16,800) | 100,800 |
| Bond | 5.75% | 05-01-97 | 12-01-16 | <u>5,815,000</u> | <u>(125,000)</u> | <u>5,690,000</u> |
| TOTAL | | | | <u>\$6,049,600</u> | <u>(\$180,800)</u> | <u>\$5,868,800</u> |

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds and notes:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|--------------------|--------------------|--------------------|
| 2000 | 279,800 | 333,036 | 612,836 |
| 2001 | 194,000 | 320,081 | 514,081 |
| 2002 | 170,000 | 310,865 | 480,865 |
| 2003 | 185,000 | 302,705 | 487,705 |
| 2004 | 200,000 | 293,640 | 493,640 |
| 2004-2016 | <u>4,840,000</u> | <u>2,293,190</u> | <u>7,133,190</u> |
| Total | <u>\$5,868,800</u> | <u>\$3,853,517</u> | <u>\$9,722,317</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE G-CHANGES IN THE GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

| | <u>July 1, 1998</u> | <u>Additions</u> | <u>Deductions</u> | <u>June30,1999</u> |
|-------------------------------|---------------------|------------------|-------------------|---------------------|
| Compensated Absences: | | | | |
| Sick Leave and Vacation Leave | \$ 336,448 | \$ 45,425 | \$ 0 | \$ 381,873 |
| Accrued Wages and Benefits | 46,309 | 0 | 9,270 | 37,039 |
| General Obligation Debt: | | | | |
| Notes | 234,600 | 0 | 55,800 | 178,800 |
| Bonds | <u>5,815,000</u> | <u>0</u> | <u>125,000</u> | <u>5,690,000</u> |
| Total | <u>\$ 6,432,357</u> | <u>\$ 45,425</u> | <u>\$ 190,070</u> | <u>\$ 6,287,712</u> |

NOTE H-SEGMENT INFORMATION

Enterprise Funds - The District maintains three Enterprise Funds to account for the operations of Food Service, Uniform Supply, and Latchkey. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

| | <u>Food Service</u> | <u>Uniform Supply</u> | <u>Latch Key</u> | <u>Total</u> |
|---|---------------------|-----------------------|------------------|--------------|
| Operating Revenues | \$ 227,512 | \$ 49,500 | \$ 1,086 | \$278,098 |
| Operating expenses before depreciation | 297,133 | 43,097 | 315,863 | 656,093 |
| Depreciation | 736 | -0- | 0 | 736 |
| Operating Income(Loss) | (70,357) | 6,403 | (314,777) | (378,731) |
| Donated Comm. | 14,358 | -0- | 0 | 14,358 |
| Operating Grants | 20,748 | -0- | 0 | 20,748 |
| Miscellaneous Revenue | 0 | 0 | 297,568 | 297,568 |
| Investment Revenue | 257 | 0 | 0 | 257 |
| Net Income (Loss) | (34,994) | 6,403 | (17,209) | (45,800) |
| Fixed Asset Additions | 2,512 | 0 | 0 | 2,512 |
| Fixed Asset Deletions | 0 | 0 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE H-SEGMENT INFORMATION (Continued)

| | | | | |
|---------------------|----------|--------|---------|---------|
| Net Working Capital | 23,430 | 29,026 | 194,923 | 200,519 |
| Total Assets | 20,110 | 29,867 | 195,077 | 245,054 |
| Total Liability | 32,373 | 841 | 154 | 38,368 |
| Total Equity | (17,263) | 29,026 | 194,923 | 206,686 |

NOTE I-DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Madeira City Schools District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the Madeira City School 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 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 to SERS for the years ending June 30, 1999, 1998, 1997 were \$139,261, \$129,156, and \$145,158, respectively, 50 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$73,212 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.

B. State Teachers Retirement System

The Madeira City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE I-DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the Madeira City School District is required to contribute 14%. 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pensions obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 1999, 1998 and 1997 were \$716,773, \$645,090, and \$663,108, respectively, 81.6 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$131,804 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

NOTE J - POST EMPLOYMENT BENEFITS

The School 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, 1997, the board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Fund allocation for the year ended June 30, 1999, will be 8% of covered payroll. For the School District, the amount to fund the Health Care Reserve, equaled \$409,585 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. 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 FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE J - POST EMPLOYMENT 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 1997. 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 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provided 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. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$49,537 during the 1999 fiscal year.

NOTE K-BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements of the budgetary basis follows:

Reconciliation of Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses From GAAP

Basis to Budgetary Basis

Governmental Fund Types

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Fund</u> | <u>Capital Projects</u> |
|---|-------------------------|--------------------------------------|----------------------------------|-----------------------------|
| GAAP Basis | \$ 35,849 | \$ 157,488 | \$ 163,534 | (\$2,730,448) |
| Net Adjustment for Revenue Accruals | (545,475) | 0 | (43,000) | 12,189 |
| Net Adjustment for Expenditure Accrual | 136,459 | (14,673) | 0 | (1,591) |
| Net Adjustment for Encumbrances | <u>(77,831)</u> | <u>(45,998)</u> | <u>0</u> | <u>(376,036)</u> |
| Budgetary Basis | <u>\$ (450,998)</u> | <u>\$ 96,817</u> | <u>\$ 120,534</u> | <u>\$(3,095,886)</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE L-JOINTLY GOVERNED ORGANIZATIONS

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

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

Hamilton/Clermont Cooperative Association - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid H/CCA \$15,332 for services provided during the year. Financial information can be obtained from the H/CCA, Steve Hawley, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE M--INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School 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 Immediate Past President of the OSBA. 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE N-CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

NOTE O-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 State's legislature 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 School District. During the fiscal year ended June 30, 1999, the School District received \$2,074,069 of school foundation support for its general fund.

Also, the court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed School District's to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the School District did not borrow under this program. Historically, School Districts have relied on this borrowing to meet their cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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 October 13, 1999, The Ohio Supreme Court has not rendered an opinion on this issue. 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 School 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE P - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the District contracted with The Cincinnati Insurance Co., Crum & Forster Insurance, and Nationwide Insurance Company for property and general liability insurance and boiler and machinery insurance.

Boiler and machinery coverage has a \$1,000 deductible. General liability is provided by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 aggregate limit. Vehicles are covered by Nationwide Insurance Company with a \$500 deductible. Public officials bond insurance is provided by Ohio Casualty Insurance Company. The Treasurer, is covered by a bond in the amount of \$50,000. The Superintendent and Board President are covered by bonds in the amount of \$20,000 each. The District has elected to provide employee medical, dental and life insurance through Greater Cincinnati Insurance Consortium. The employees share the cost of the monthly premium for the coverage with the Board.

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

NOTE Q—YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Madeira City School District (District) has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Educational Management and Information System (EMIS)).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. This software is accessed through an agreement with the Hamilton/Clermont Cooperative Association. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

Hamilton County collects property taxes for distribution to the District. Hamilton County is responsible for remediating the tax collection system.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE Q—YEAR 2000 ISSUE (Continued)

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the State of Ohio Uniform School Accounting Systems, Foundation processing and EMIS systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

NOTE R – STATUTORY RESERVES

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

| | <u>Textbook Reserve</u> | <u>Capital Maintenance Reserve</u> | <u>Budget Stabilization Reserve</u> | <u>Total</u> |
|--------------------------------|-----------------------------|--|---|------------------|
| Set-aside Balance 31 7/1/98 | \$ 0 | \$ 0 | \$ 49,319 | \$ 49,319 |
| Required Set-Aside | 150,121 | 150,121 | 75,060 | 375,302 |
| Offset Credits | (22,838) | (5,226) | 0 | (28,064) |
| Qualifying Expenditures | <u>(121,641)</u> | <u>(144,895)</u> | <u>0</u> | <u>(266,536)</u> |
| Set aside Cash Balance 6/30/99 | <u>\$ 5,642</u> | <u>\$ 0</u> | <u>\$ 124,379</u> | <u>\$130,021</u> |

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$319,895, which exceeded the required set-aside and reserve balance.

NOTE S – COMPLIANCE

The District appropriated \$86.7 thousand more than estimated revenue in 1999 for the Expendable Trust Fund.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Madeira City School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 20, 1999. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10431-001.

We also noted an immaterial instance of noncompliance, that we have reported to the management of the District in a separate letter dated December 20, 1999.

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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 20, 1999.

Madeira City School District
Hamilton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the Audit Committee, Board of Education, and Management, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 20, 1999

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|-----------------------|-----------------------|
| FINDING NUMBER | 1999-10431-001 |
|-----------------------|-----------------------|

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, requires that, "The total appropriations from each fund shall not exceed the total estimated revenue available for expenditures therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals." Total appropriations exceeded total estimated revenue available for expenditure at June 30, 1999 in the following fund and amount:

| <u>Fund</u> | <u>Amount in excess</u> |
|-----------------------|-------------------------|
| Expendable Trust Fund | \$ 86,673 |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MADEIRA CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2000**