



**MADISON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



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

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**STATE OF OHIO**



MADISON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Madison Local School District  
Richland County  
1379 Grace Street  
Mansfield, Ohio 44905-2742

To the Board of Education:

We have audited the accompanying general purpose financial statements of Madison Local School District, Richland County, (the District) as of and for the year ended June 30, 2000, 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.

As discussed in Note 3 to the general purpose financial statements, certain changes in accounting policies and reporting practices were made in order to present the aforementioned financial statements in conformity with generally accepted accounting principles. Such changes were adopted effective July 1, 1999 and to implement those changes, adjustments were made to restate fund balances as of that date.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund 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 February 16, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

February 16, 2001

**MADISON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service		Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>										
<b>ASSETS:</b>										
Equity in pooled cash and cash equivalents . . . . .	\$1,287,365	\$419,648	\$32,074	\$98,461	\$1,176,494	\$32,122				\$3,046,164
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .						1,761				1,761
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent . . . . .	13,464,495									13,464,495
Accounts . . . . .				19,120						19,120
Interfund loan receivable . . . . .	195,382									195,382
Due from other governments . . . . .	95,950	83,822		129,262						309,034
Prepayments . . . . .	5,806									5,806
Materials and supplies inventory . . . . .				17,968						17,968
Restricted assets:										
Equity in pooled cash and cash equivalents . . . . .	383,916									383,916
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .				145,778			\$17,760,361			17,906,139
<b>OTHER DEBITS:</b>										
Amount to be provided for retirement of general long-term obligations . . . . .		\$503,470	\$32,074	\$410,589	\$1,176,494	\$33,883		\$3,775,530		\$39,125,315
Total assets and other debits . . . . .	\$15,432,914	\$503,470	\$32,074	\$410,589	\$1,176,494	\$33,883	\$17,760,361	\$3,775,530		\$39,125,315

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

**MADISON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
<b>LIABILITIES:</b>										
Accounts payable	\$275,179	\$28,787		\$20,146						\$324,112
Accrued wages and benefits	2,196,577	119,799		60,902						2,377,278
Compensated absences payable	86,319	2,524		21,223				\$1,579,441		1,689,507
Pension obligation payable	333,022	18,204		145,945				171,556		668,727
Interfund loan payable		98,612		96,770						195,382
Deferred revenue	12,440,044			11,554	\$498,279					12,451,598
Claims payable						\$32,122				498,279
Due to students										32,122
Tax anticipation notes payable	470,000									470,000
Asbestos abatement loans payable								104,993		104,993
Energy conservation notes payable								1,903,697		1,903,697
Obligation under capital lease								15,843		15,843
<b>Total liabilities</b>	<b>15,801,141</b>	<b>267,926</b>		<b>356,540</b>	<b>498,279</b>	<b>32,122</b>		<b>3,775,530</b>		<b>20,731,538</b>
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets							\$17,760,361			17,760,361
Contributed capital				123,483						123,483
Retained earnings (accumulated deficit):				(69,434)	678,215					608,781
Fund balances:										
Reserved for encumbrances	645,146	98,223								743,369
Reserved for prepayments	5,806									5,806
Reserved for tax revenue unavailable for appropriation	666,410									666,410
Reserved for principal endowment	311,731					1,000				311,731
Reserved for textbooks	72,185									72,185
Reserved for capital acquisition										
Unreserved - undesignated (deficit)	(2,069,505)	137,321	\$32,074			761				(1,899,349)
<b>Total equity (deficit) and other credits</b>	<b>(368,227)</b>	<b>235,544</b>	<b>32,074</b>	<b>54,049</b>	<b>678,215</b>	<b>1,761</b>	<b>17,760,361</b>			<b>18,393,777</b>
<b>Total liabilities, equity and other credits</b>	<b>\$15,432,914</b>	<b>\$503,470</b>	<b>\$32,074</b>	<b>\$410,589</b>	<b>\$1,176,494</b>	<b>\$33,883</b>	<b>\$17,760,361</b>	<b>\$3,775,530</b>		<b>\$39,125,315</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**MADISON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$10,067,818				\$10,067,818
Tuition . . . . .	736,935				736,935
Earnings on investments . . . . .	200,663	\$5,403			206,066
Extracurricular . . . . .		110,420			110,420
Other local revenues . . . . .	137,600	109,591			247,191
Other revenue . . . . .	11,350				11,350
Intergovernmental - State . . . . .	11,377,989	607,676			11,985,665
Intergovernmental - Federal . . . . .		1,192,385			1,192,385
<b>Total revenue . . . . .</b>	<b>22,532,355</b>	<b>2,025,475</b>			<b>24,557,830</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	9,477,549	286,999			9,764,548
Special . . . . .	2,184,541	593,272			2,777,813
Vocational . . . . .	2,474,221	74,695			2,548,916
Other . . . . .	36,827				36,827
Support services:					
Pupil . . . . .	986,970	117,318			1,104,288
Instructional staff . . . . .	1,474,713	322,599		\$68,753	1,866,065
Board of education . . . . .	277,107				277,107
Administration . . . . .	1,688,616	87,038			1,775,654
Fiscal . . . . .	407,986	5,000			412,986
Business . . . . .	45,805	19,140			64,945
Operations and maintenance . . . . .	2,694,810				2,694,810
Pupil transportation . . . . .	1,199,657	17,724			1,217,381
Central . . . . .	50,550	45,894			96,444
Community services . . . . .	3,050	36,513			39,563
Extracurricular activities . . . . .	418,765	124,519			543,284
Facilities acquisition and construction . . . . .	1,435,389	21,894		68,526	1,525,809
Intergovernmental pass-through . . . . .		361,114			361,114
Debt service:					
Principal retirement . . . . .		3,337	\$201,500		204,837
Interest and fiscal charges . . . . .	33,708	1,155	70,700		105,563
<b>Total expenditures . . . . .</b>	<b>24,890,264</b>	<b>2,118,211</b>	<b>272,200</b>	<b>137,279</b>	<b>27,417,954</b>
(Deficiency) of revenues (under) expenditures . . . . .	(2,357,909)	(92,736)	(272,200)	(137,279)	(2,860,124)
Other financing sources (uses):					
Operating transfers in . . . . .			272,200		272,200
Operating transfers out . . . . .	(464,307)				(464,307)
Proceeds from sale of fixed assets . . . . .	785				785
Proceeds from sale of notes . . . . .	1,438,697				1,438,697
<b>Total other financing sources (uses) . . . . .</b>	<b>975,175</b>		<b>272,200</b>		<b>1,247,375</b>
(Deficiency) of revenues (under) expenditures and other financing sources (uses) . . . . .	(1,382,734)	(92,736)	0	(137,279)	(1,612,749)
Fund balances, July 1 (restated) . . . . .	1,014,507	328,280	0	169,353	1,512,140
Fund balances (deficit), June 30 . . . . .	(\$368,227)	\$235,544	\$0	\$32,074	(\$100,609)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MADISON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes.....	\$12,000,000	\$12,046,739	\$46,739												\$46,739
Tuition.....	700,000	726,010	26,010												26,010
Earnings on investments.....	150,000	200,663	50,663												50,663
Extracurricular.....	64,000	70,765	6,765	\$5,000	\$5,403	\$403									155,000
Other local revenues.....	10,000	11,350	1,350	136,450	110,420	(26,030)									110,420
Intergovernmental - State.....	11,110,000	11,337,214	227,214	162,303	109,542	(52,761)									136,450
Intergovernmental - Federal.....				688,809	634,994	(53,815)									11,350
Total revenues.....	24,034,000	24,392,741	358,741	1,386,901	1,134,217	(252,684)									173,399
				2,379,463	1,994,576	(384,887)									(252,684)
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular.....	9,619,945	9,368,014	251,931	368,799	299,239	69,560									9,888,744
Special.....	2,152,560	2,152,499	61	785,864	585,590	200,274									2,938,424
Vocational.....	2,453,562	2,453,009	553	87,462	87,462	0									2,541,024
Other.....	193,968	193,967	1	6,096	96	6,000									200,064
Support services:															
Personnel.....	963,711	963,604	107	150,167	137,719	12,448									1,113,878
Instructional staff.....	1,822,311	1,521,844	467	431,985	338,735	93,250									2,055,074
Board of Education.....	276,073	276,072	1	109,957	93,770	16,187									276,072
Administration.....	1,667,612	1,667,362	250	5,000	5,000	0									1,777,569
Fiscal.....	391,419	390,463	956	19,141	19,141	0									396,419
Business.....	47,116	46,074	1,042	619	619	0									66,257
Operations and maintenance.....	2,724,406	2,723,344	1,062	26,921	16,936	9,985									2,725,025
Pupil transportation.....	1,390,051	1,399,044	7	51,130	51,130	0									1,425,972
Central.....	51,135	51,130	5	57,205	51,011	6,194									102,141
Community services.....	3,050	3,050	0	49,946	41,304	8,642									52,996
Extracurricular activities.....	427,135	426,383	752	143,172	138,228	4,944									44,354
Facilities acquisition and construction.....	1,763,442	1,618,202	1,452,240	21,900	21,900	0	68,526	68,526	0						570,307
Intergovernmental pass-through.....				455,055	366,046	89,009									1,853,868
Debt service:															
Principal retirement.....				\$651,500	\$651,500	\$0									651,500
Interest and fiscal charges.....				104,408	104,408	0									104,408
Total expenditures.....	25,056,496	25,254,061	402,435	2,719,289	2,202,796	516,493	169,304	137,280	32,024	29,300,997	28,350,045	950,952			950,952
(Deficiency) of revenues (under) expenditures.....	(1,022,496)	(861,320)	761,176	(339,826)	(208,220)	131,606	(169,304)	(137,280)	32,024	(2,887,534)	(1,962,728)	924,806			
Other financing sources (uses):															
Refund of prior year's expenditures.....	0	68,696	68,696	155	432	277									69,128
Refund of prior year's receipts.....	(11,380)	(11,378)	2	(5,071)	(5,071)	0									(16,449)
Operating transfers in.....															755,908
Operating transfers (out).....	(948,016)	(948,015)	1	106,006	94,936	(11,070)									(948,015)
Advances in.....	0	234,015	234,015	0	(66,907)	(66,907)									328,951
Advances (out).....	0	(195,382)	(195,382)	0	(66,907)	(66,907)									(262,289)
Proceeds from sale of fixed assets.....															785
Proceeds from sale of notes.....	1,438,697	1,438,697	0												1,438,697
Total other financing sources (uses).....	479,301	587,418	108,117	101,090	23,390	(77,700)									30,417
(Deficiency) of revenues and other financing sources (under) expenditures and other financing (uses).....	(1,143,195)	(273,902)	869,293	(238,736)	(184,830)	53,906	(169,304)	(137,280)	32,024	(1,551,235)	(596,012)	955,223			
Fund balances, July 1.....	635,844	635,844	0	196,513	196,513	0									951,327
Prior year encumbrances appropriated.....	396,680	396,680	0	281,411	281,411	0									728,475
Fund balances, June 30.....	(\$110,671)	\$738,622	\$869,293	\$239,188	\$293,094	\$53,906	\$50	\$32,074	\$32,024	\$128,567	\$1,083,790	\$955,223			

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MADISON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
 ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees . . . . .	\$352,884			\$352,884
Sales/charges for services . . . . .	1,248,948	\$2,853,358		4,102,306
Interest revenue . . . . .			\$95	95
Other . . . . .	<u>67,528</u>			<u>67,528</u>
Total operating revenues . . . . .	<u>1,669,360</u>	<u>2,853,358</u>	<u>95</u>	<u>4,522,813</u>
Operating expenses:				
Personal services . . . . .	1,536,977	113		1,537,090
Contract services . . . . .	49,315	10,277		59,592
Materials and supplies . . . . .	827,727	51		827,778
Depreciation . . . . .	22,951			22,951
Claims expense . . . . .		2,626,229		2,626,229
Other . . . . .	<u>607</u>			<u>607</u>
Total operating expenses . . . . .	<u>2,437,577</u>	<u>2,636,670</u>		<u>5,074,247</u>
Operating income (loss) . . . . .	<u>(768,217)</u>	<u>216,688</u>	<u>95</u>	<u>(551,434)</u>
Nonoperating revenues:				
Operating grants . . . . .	602,245			602,245
Federal commodities . . . . .	86,511			86,511
Interest revenue . . . . .		35,651		35,651
Other . . . . .	<u>2,957</u>	<u>5,548</u>		<u>8,505</u>
Total nonoperating revenues . . . . .	<u>691,713</u>	<u>41,199</u>		<u>732,912</u>
Net income (loss) before operating transfers . . . . .	(76,504)	257,887	95	181,478
Operating transfers in . . . . .	<u>192,107</u>			<u>192,107</u>
Net income . . . . .	115,603	257,887	95	373,585
Retained earnings (accumulated deficit)/fund balance at July 1 (restated) . . . . .	<u>(185,037)</u>	<u>420,328</u>	<u>1,666</u>	<u>236,957</u>
Retained earnings (accumulated deficit)/fund balance at June 30 . . . . .	<u>(\$69,434)</u>	<u>\$678,215</u>	<u>\$1,761</u>	<u>\$610,542</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MADISON LOCAL SCHOOL DISTRICT**  
**RICHLAND COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees . . . . .	\$123,945			\$123,945
Cash received from sales/service charges . . . . .	1,474,802	\$2,853,358		4,328,160
Cash received from other operations . . . . .	67,528			67,528
Cash payments for personal services . . . . .	(1,545,310)	(113)		(1,545,423)
Cash payments for contract services. . . . .	(49,315)	(10,449)		(59,764)
Cash payments for materials and supplies. . . . .	(726,750)	(84)		(726,834)
Cash payments for claims expenses . . . . .		(2,510,223)		(2,510,223)
Cash payments for other expenses. . . . .	(607)			(607)
Net cash provided by (used in) operating activities . . . . .	(655,707)	332,489		(323,218)
Cash flows from noncapital financing activities:				
Cash received from operating grants . . . . .	525,520			525,520
Cash received from operating transfers in . . . . .	192,107			192,107
Cash received from interfund loans. . . . .	96,770			96,770
Cash used in repayment of interfund loans . . . . .	(167,107)			(167,107)
Cash received from other noncapital financing activities . . . . .	2,957	5,548		8,505
Net cash provided by noncapital financing activities . . . . .	650,247	5,548		655,795
Cash flows from investing activities:				
Interest received . . . . .		35,651	\$95	35,746
Net cash provided by investing activities . . . . .		35,651	95	35,746
Net increase(decrease) in cash and cash equivalents . . . . .	(5,460)	373,688	95	368,323
Cash and cash equivalents at beginning of year . . . . .	103,921	802,806	1,666	908,393
Cash and cash equivalents at end of year. . . . .	\$98,461	\$1,176,494	\$1,761	\$1,276,716
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss). . . . .	(\$768,217)	\$216,688	\$95	(\$551,434)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation . . . . .	22,951			22,951
Federal donated commodities . . . . .	86,511			86,511
Interest reported as operating income . . . . .			(95)	(95)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory. . . . .	7,417			7,417
Increase in accounts receivable . . . . .	(3,085)			(3,085)
Increase (decrease) in accounts payable. . . . .	8,799	(33)		8,766
Increase in accrued wages and benefits . . . . .	8,040			8,040
Decrease in compensated absences payable . . . . .	(2,302)			(2,302)
Decrease in pension obligation payable . . . . .	(14,071)	(172)		(14,243)
Increase in claims payable. . . . .		116,006		116,006
Decrease in deferred revenue. . . . .	(1,750)			(1,750)
Net cash provided by (used in) operating activities . . . . .	(655,707)	\$332,489	\$0	(\$323,218)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Madison Local School District ("District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District is the 119<sup>th</sup> largest in the State of Ohio (among 660 public and community school districts) in terms of enrollment. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the District's 7 instructional/support facilities staffed by 221 classified and 314 certificated full-time teaching personnel, who provide services to 3,646 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity." When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**A. Reporting Entity - (Continued)**

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organization is described due to its relationship with the District:

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**B. Fund Accounting - (Continued)**

*GOVERNMENTAL FUNDS*

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 those accounted for in proprietary funds and trust 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. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

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

*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, interest, and related costs.

*Capital Projects Funds* - The 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 or trust funds).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**B. Fund Accounting - (Continued)**

*PROPRIETARY FUNDS*

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

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

*Internal Service Funds* - The internal service funds are used to account for the financing of goods and 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 FUNDS*

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 governmental units and/or other funds. These include a non-expendable trust fund and agency funds. The non-expendable trust fund is accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.



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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**B. Fund Accounting - (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 the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary or trust funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year end. Revenues accrued at the end of the year include taxes and intergovernmental grants (to the extent they are intended to finance the current fiscal year), and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. In proprietary funds, unused donated commodities are reported as deferred revenue.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and the non-expendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**D. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for 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.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to 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 issued for fiscal year 2000.
4. By July 1, the 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 total.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**D. Budgets - (Continued)**

5. 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.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000.
8. 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.
9. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Encumbrance accounting is utilized with 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 year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 18 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 15 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During the fiscal year, the District's investments were limited to repurchase agreements. Repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the Auxillary Services special revenue fund, the non-expendable trust fund and the Self-Insurance internal service fund. Interest revenue credited to the general fund during fiscal 2000 amounted to \$200,663, which includes \$108,581 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**G. Fixed Assets and Depreciation**

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost or estimated historical cost. 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 five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. *Proprietary Funds*

Equipment reflected in these funds is 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:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	15 - 20

**H. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund  
State Foundation Program  
State Property Tax Relief

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

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

**H. Intergovernmental Revenues - (Continued)**

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Title VI-B

Local Professional Development

Title I

Title VI

Drug-Free Schools

Auxillary Services

Post Secondary Vocational Education

Early Childhood Education

Public Preschool

Disadvantaged Pupil Impact Aid

Network Connectivity

Ohio Reads

Lead Grant

Safe Schools Helpline

Technology Preparation

Education for Economic Security

Vocational Education

Handicapped Preschool

Performance Incentive

Title VI-R

Reimbursable Grants

General Fund

Driver Education Reimbursement

Special Revenue Funds

Job Training Partnership Act

School to Work

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**H. Intergovernmental Revenues - (Continued)**

Enterprise Funds  
National School Breakfast Program  
Child Care Food Program  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 46% of the District's operating revenue during the 2000 fiscal year.

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick pay is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick pay on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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



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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**I. Compensated Absences - (Continued)**

Accumulated vacation and sick pay of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**J. Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**K. 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 government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal interest. GAAP requires the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**L. Fund Equity**

Contributed capital is recorded in proprietary funds that receive capital grants or contributions from other funds. 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, prepayments, tax revenue unavailable for appropriation, principal endowment, textbooks and capital acquisition. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. Although the non-expendable trust fund uses the economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

**M. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2000.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**M. Interfund Transactions - (Continued)**

4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 2000.

See Note 5 for an analysis of interfund transactions.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook and capital acquisition reserve. These reserves are required by State statute. Fund balance reserves have also been established. See Note 20 for detail of statutory reserves.

**O. Parochial Schools**

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

**P. Estimates**

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

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

**Q. Prepayments**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**R. Memorandum Only - Total Columns**

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

For the year ended June 30, 2000, the District has presented for the first time GPFS by fund type and account group in accordance with GAAP. In conjunction with this presentation, the District has converted its governmental funds and expendable trust funds to the modified accrual basis of accounting and its proprietary funds and non-expendable trust fund to the accrual basis of accounting. This conversion required that certain adjustments be recorded to the June 30, 1999 fund balances/retained earnings as previously reported to reflect the prior years' effect of adopting these new accounting principles. The restatements to the opening fund balances are as follows:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**A. Change in Accounting Principle - (Continued)**

<u>Fund Type</u>	Balance as Previously Stated at June 30, 1999	<u>Adjustments</u>	Restated Balance at July 1, 1999
General	\$1,001,164	\$ 13,343	\$1,014,507
Special Revenue	476,399	(148,119)	328,280
Debt Service	0	0	0
Capital Projects	169,353	0	169,353
Expendable Trust	32,883	(32,883)	0
Enterprise	103,921	(288,958)	(185,037)
Internal Service	802,806	(382,478)	420,328
Nonexpendable Trust	1,666	0	1,666
Agency	30,709	30,709	0

**B. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
General Fund	\$368,227
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	306
Job Training Partnership Act	79
Title VI-B	3,516
<u>Enterprise Funds</u>	
Food Service	126,480
Early Childhood Learning Center	1,626

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

These funds complied with Ohio state law which does not allow a cash deficit at year end.

The deficit fund balance in the general fund is primarily caused by the recognition of tax anticipation notes as a fund liability rather than as an “other financing source” and in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. This deficit will be eliminated as resources are provided for the retirement of the notes and by intergovernmental revenues and other subsidies not recognized and recorded at June 30.

The deficit fund balances in the Disadvantaged Pupil Impact Aid and Title VI-B special revenue funds are caused by the application of GAAP namely in the reporting of a liability for accrued wages, benefit and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit fund balance in the Job Training Partnership Act special revenue fund is a result of the application of GAAP, namely in the recognition of interfund loans as a fund liability rather than as an “other financing source”. This deficit will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service enterprise fund is a result of accruing wage, benefit, pension obligations and compensated absences in accordance with GAAP. In addition, this fund has recorded interfund loans as fund liabilities rather than as “other financing sources”. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30. Although the Food Service enterprise fund had a deficit retained earnings balance of (\$126,480), the fund has received contributed capital in the amount of \$123,483 resulting in a total fund equity deficit of (\$2,997).

The deficit retained earnings in the Early Childhood Learning Center enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits, pension obligations and accounts payable attributable to the fiscal year. The deficit retained earnings will be eliminated by user charges and other subsidies not recognized and recorded at June 30.

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Agency Funds**

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

ASSETS

Accounts Receivable	\$ 38
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LIABILITIES

Accounts Payable	\$1,925
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**D. Compliance**

Contrary to Ohio Rev. Code Section 135.14(O)(1) & (2), the District does not have a written investment policy even though the District invests monies in overnight repurchase agreements.

**NOTE 4 - 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 Cash Equivalents". Statutes require the classification of 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.

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 monies deposited with the institution.

Interim monies may be invested or deposited 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the 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 30 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 Treasury Asset Reserve of Ohio (STAR Ohio);



**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies 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.

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 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

*Cash On Hand:* At year end, the District had \$1,050 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled in Cash and Cash Equivalents", but is not included in total amount of deposits reported below.

*Deposits:* At year end, the carrying amount of the District's deposits was \$76,840 and the bank balance was \$578,282. Of the bank balance:

1. \$115,201 was covered by federal depository insurance; and
2. \$463,081 was uninsured and uncollateralized as defined by GASB although it was covered by pooled collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Investments:* Investments are categorized to give an indication of the level of custodial credit risk assumed by the District. Category 1 includes investments that are insured or registered or securities held by the District. 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, but not in the District's name.

	<u>Category</u> 3	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Repurchase agreement	<u>\$3,353,951</u>	<u>\$3,353,951</u>	<u>\$3,353,951</u>

The classification of cash and cash equivalents and investments on the combined balance sheet 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 equity in pooled cash and cash equivalents on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and</u> <u>Cash Equivalents/</u> <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,431,841	\$ 0
Investments of the cash		
Management pool:		
Repurchase agreement	(3,353,951)	3,353,951
Cash on hand	<u>(1,050)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ 76,840</u>	<u>\$3,353,951</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$195,382	\$ - - -
<u>Special Revenue Funds</u>		
Public School Support	- - -	2,856
Post Secondary Vocational Education	- - -	3,000
Job Training Partnership Act	- - -	3,676
Education for Economic Security	- - -	83
Vocational Education	- - -	15,922
Miscellaneous Federal Grants	- - -	73,075
<u>Enterprise Funds</u>		
Food Service	- - -	77,399
Adult Education	<u>- - -</u>	<u>19,371</u>
Total	<u>\$195,382</u>	<u>\$195,382</u>

- B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - - -	\$464,307
<u>Debt Service Fund</u>		
Bond retirement	272,200	- - -
<u>Enterprise Funds</u>		
Food Service	127,132	- - -
Adult Education	<u>64,975</u>	<u>- - -</u>
Totals	<u>\$464,307</u>	<u>\$464,307</u>

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$326,973,971. Agricultural/residential and public utility/minerals real estate represented 58.58% or \$191,530,450 of this total; Commercial & industrial real estate represented 19.61% or \$64,093,700 of this total, public utility tangible represented 5.83% or \$19,074,440 of this total and general tangible property represented 15.98% or \$52,275,381 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$60.40 per \$1,000 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The District receives property taxes from Richland County. The Richland County Treasurer collects property taxes on behalf of the District. The Richland County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$666,410 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), interfund loans and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current	\$12,501,596
Taxes - delinquent	962,899
Due from other governments	95,950
Interfund loans	195,382
 <u>Special Revenue Funds</u>	
Due from other governments	83,822
 <u>Enterprise Funds</u>	
Accounts	19,120
Due from other governments	129,262

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Land/ improvements	\$ 898,881	\$ - - -	\$ - - -	\$ 898,881
Buildings/ improvements	11,237,107	- - -	- - -	11,237,107
Furniture/ equipment	3,427,819	592,480	- - -	4,020,299
Vehicles	<u>1,604,074</u>	<u>- - -</u>	<u>- - -</u>	<u>1,604,074</u>
Total	<u>\$17,167,881</u>	<u>\$ 592,480</u>	<u>\$ 0</u>	<u>\$17,760,361</u>

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 563,711
Less: accumulated depreciation	<u>(417,933)</u>
Net fixed assets	<u>\$ 145,778</u>

**NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL**

Changes in contributed capital for the year ended June 30, 2000 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1999	\$123,483
Current contributions	<u>- - -</u>
Contributed capital, June 30, 2000	<u>\$123,483</u>

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by FASB Statement No.13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the government funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$19,180. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal and interest payments made in fiscal year 2000 were \$3,337 and \$1,155, respectively, and are reported as debt service in the Vocational Education special revenue fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2001	\$ 6,735
2002	6,735
2003	3,592
2004	<u>673</u>
Total minimum lease payments	17,735
Less: amount representing interest	<u>(1,892)</u>
Present value of minimum lease payments	<u><u>\$15,843</u></u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. The District has received three loans from the U. S. Environmental Protection Agency for asbestos abatement projects. The loans are interest free as long as the District remains current on repayment. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year end is accounted for in the general long-term obligation account group. The following schedule describes the loans activity during fiscal year 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Loans <u>Outstanding July 1, 1999</u>	<u>Retired in 2000</u>	Loans <u>Outstanding June 30, 2000</u>
Asbestos Abatement	None	07/12/85	12/31/04	\$ 38,430	\$ (6,987)	\$ 31,443
Asbestos Abatement	None	08/29/86	12/31/05	60,837	(9,360)	51,477
Asbestos Abatement	None	04/21/87	12/31/06	<u>27,226</u>	<u>(5,153)</u>	<u>22,073</u>
				<u>\$126,493</u>	<u>\$(21,500)</u>	<u>\$104,993</u>

B. As of June 30, 2000, the District had a total of \$1,903,697 in energy conservation notes payable in accordance with Section 3313.72, Ohio Revised Code, and House Bill 264. The primary source of repayment of the notes is through energy savings as a result of the improvements. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The unmatured obligation at year end is accounted for in the general long-term obligation account group. The following schedule describes the note activity during fiscal year 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Notes <u>Outstanding July 1, 1999</u>	<u>Issued in 2000</u>	<u>Retired in 2000</u>	Notes <u>Outstanding June 30, 2000</u>
Energy Conservation	6.70%	06/28/91	06/01/01	\$115,000	\$ - - -	\$ (55,000)	\$ 60,000
Energy Conservation	5.50%	10/01/92	10/01/02	160,000	- - -	(40,000)	120,000
Energy Conservation	5.05%	06/15/93	06/01/03	370,000	- - -	(85,000)	285,000
Energy Conservation	4.70%	05/01/00	05/01/11	<u>0</u>	<u>1,438,697</u>	<u>- - -</u>	<u>1,438,697</u>
Totals				<u>\$645,000</u>	<u>\$1,438,697</u>	<u>\$(180,000)</u>	<u>\$1,903,697</u>



**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

C. The following is a summary of the District's future annual debt service requirements to maturity for the asbestos abatement loans and the energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal on Loans and Notes</u>	<u>Interest on Loans and Notes</u>	<u>Total</u>
2001	\$ 325,197	\$ 94,481	\$ 419,678
2002	276,500	78,185	354,685
2003	291,500	65,108	356,608
2004	151,500	52,540	204,040
2005	154,313	45,823	200,136
2006 - 2010	<u>809,680</u>	<u>111,029</u>	<u>920,719</u>
Total	<u>\$2,008,690</u>	<u>\$447,166</u>	<u>\$2,455,856</u>

D. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated Absences	\$1,273,184	\$ ---	\$ (8,352)	\$1,264,832
Pension Obligation Payable	166,650	171,556	(166,650)	171,556
Asbestos Abatement Loans Payable	126,493	---	(21,500)	104,993
Energy Conservation Notes Payable	645,000	1,438,697	(180,000)	1,903,697
Capital Lease Payable	<u>19,180</u>	<u>---</u>	<u>(3,337)</u>	<u>15,843</u>
Total	<u>\$2,230,507</u>	<u>\$1,610,253</u>	<u>\$ (379,839)</u>	<u>\$3,460,921</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$29,427,657 and an unvoted debt margin of \$326,974.

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 12 - TAX ANTICIPATION NOTES PAYABLE**

A. The District has received proceeds from the issuance of tax anticipation notes. These notes are liabilities of the general fund, the fund which received the proceeds. The following is a description of the District's tax anticipation notes outstanding as of June 30, 2000:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 1999</u>	<u>Retired In 2000</u>	<u>Balance June 30, 2000</u>
Tax Anticipation Notes	4.85%	07/01/00	<u>\$920,000</u>	<u>\$(450,000)</u>	<u>\$470,000</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the tax anticipation notes:

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2001	<u>\$470,000</u>	<u>\$11,398</u>	<u>\$481,398</u>

**NOTE 13 - COMPENSATED ABSENCES**

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

Administrators, teachers, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 280 days. Upon retirement, full-time certified and classified employees receive a payment of 25 percent of their unused sick leave balance up to a maximum of 70 days.

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:			
Each occurrence	Indiana Insurance Co.	\$1,000,000	\$0
Aggregate		2,000,000	0
Property/Boiler and Machinery	Indiana Insurance Co.	56,195,785	2,500
Fleet:			
Comprehensive Collision	Personal Service Insurance Co.	Lower of actual cost of repair or actual cash value	100

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Worker's Compensation**

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The 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.

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**B. Worker's Compensation - (Continued)**

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 & Co. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Group Insurance**

The District provides the following insurance coverage for employees which is administered through Great-West Life & Annuity Insurance Company.

Certified employees receive hospital, surgical and major medical, dental and vision coverage. The total monthly cost is \$316.86 for single coverage and \$840.46 for family coverage. The District pays 100% of single and 95% of family coverage.

Classified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. Two plans are available for classified employees to choose from. The monthly cost of the indemnity plan is \$402.34 for single coverage and \$1,081.61 for family coverage. The employees share of the indemnity plan is capped at \$27.00 for single coverage and \$65.00 for family coverage. The monthly cost of the PPO hospital only plan is \$365.25 for single coverage and \$976.67 for family coverage. The District pays 100% of single coverage and 95% of family coverage under this plan.

The claims liability of \$498,279 reported in the internal service fund at June 30, 2000, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2000	\$382,273	\$2,626,229	\$(2,510,223)	\$498,279
1999	271,401	2,542,376	(2,431,504)	382,273

**MADISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)

**NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains five enterprise funds to account for the operations of Food Service, Uniform School Supplies, Rotary Fund - Special Services, Adult Education and Early Childhood Learning Center. 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, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Rotary Special Service</u>	<u>Adult Education</u>	<u>Early Childhood Learning Center</u>	<u>Total</u>
Operating revenue	\$ 703,832	\$123,945	\$64,149	\$ 296,467	\$480,967	\$1,669,360
Operating expenses before depreciation	1,146,388	131,838	66,296	550,429	519,675	2,414,626
Depreciation	22,951	---	---	---	---	22,951
Operating loss	(465,507)	(7,893)	(2,147)	(253,962)	(38,708)	(768,217)
Operating grants	314,287	---	3,789	247,472	36,697	602,245
Federal donated commodities	86,511	---	---	---	---	86,511
Operating transfers in	127,132	---	---	64,975	---	192,107
Net income (loss)	62,423	(4,936)	1,642	58,485	(2,011)	115,603
Net working capital	(58,243)	19,348	33,169	17,401	42,541	54,216
Total assets	251,404	26,599	34,255	45,975	52,356	410,589
Total liabilities	254,401	7,251	1,086	39,820	53,982	356,540
Contributed capital	123,483	---	---	---	---	123,483
Total equity	(2,997)	19,348	33,169	6,155	(1,626)	54,049
Encumbrances at June 30	956	24,008	1,725	6,499	7,364	40,552

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 16 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$613,368, \$576,585, and \$532,721, respectively; 56 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$272,058, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement System - (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, 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 required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$2,541,096, \$2,471,098, and \$2,423,400, respectively; 88 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$295,272, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**NOTE 17 - 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 obligations 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. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,452,055 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 17 - POSTEMPLOYMENT BENEFITS - (Continued)**

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. 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 2000, the minimum pay was 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 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$379,418 during the 2000 fiscal year.

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);



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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Deficiency of Revenues and Other Financing  
Sources Under Expenditures and Other  
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget basis	\$ (273,902)	\$(184,830)	\$ 0	\$(137,280)
Net adjustment for revenue accruals	(1,860,386)	30,899	---	---
Net adjustment for expenditure accruals	(548,862)	(41,969)	483,708	1
Net adjustment for other financing sources (uses)	387,757	(23,390)	(483,708)	---
Encumbrances (budget basis)	<u>912,659</u>	<u>126,554</u>	<u>---</u>	<u>---</u>
GAAP basis	<u><u>\$(1,382,734)</u></u>	<u><u>\$(92,736)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$(137,279)</u></u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 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, 2000.

**B. Litigation**

The District is not currently a party to any legal proceedings which, in the opinion of management, could have a material impact on the financial statements.

**C. State 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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$10,032,255 of school foundation support in the general fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 19 - CONTINGENCIES - (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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.

**NOTE 20 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$ 0
Current year set-aside requirement	526,420	526,420	---
Qualifying disbursements	<u>(214,689)</u>	<u>(454,235)</u>	<u>---</u>
Total	<u>\$ 311,731</u>	<u>\$ 72,185</u>	<u>\$ 0</u>
Set-aside balance carried forward to FY 2001	<u>\$ 311,731</u>	<u>\$ 72,185</u>	<u>\$ 0</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)

**NOTE 20 - STATUTORY RESERVES - (Continued)**

For fiscal year 2000, the District was not required by State law to set-aside monies into the budget stabilization reserve as the District was in fiscal watch until April 27 of 2000.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for textbooks	\$311,731
Amount restricted for capital acquisition	<u>72,185</u>
Total restricted assets	<u>\$383,916</u>

**MADISON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
Direct Program						
Federal Pell Grant Program	84.063	N/A	\$44,941	\$0	\$44,941	\$0
Passed Through the Ohio Department of Education						
Title 1 Grants to Local Educational Agencies	84.010	C1-S1-99 C1-S1-99 C C1-S1-00	90,742 82,087 <u>442,676</u>	0 0 <u>0</u>	113,768 0 <u>425,100</u>	0 0 <u>0</u>
Total Title 1 Grants to Local Educational Agencies			615,505	0	538,868	0
Special Education Cluster Special Education Grants to States	84.027	6B-SF-98 6B-SF-99	5,584 <u>204,880</u>	0 <u>0</u>	22,357 <u>173,742</u>	0 <u>0</u>
Total Special Education Grants to States			<u>210,464</u>	<u>0</u>	<u>196,099</u>	<u>0</u>
Pre-School Grants	84.173	PG-S1-99	<u>19,706</u>	<u>0</u>	<u>19,706</u>	<u>0</u>
Total Special Education Cluster			230,170	0	215,805	0
Vocational Education Basic Grants to States	84.048	20-A4-99 20-C1-99 20-C1-00 20-C2-99 20-C2-00	6,994 8,386 53,460 5,384 <u>36,763</u>	0 0 0 0 <u>0</u>	96 1,879 60,305 465 <u>34,228</u>	0 0 0 0 <u>0</u>
Total Vocation Education Basic Grants to States			110,987	0	96,973	0
Safe and Drug Free Schools and Community	84.186	DR-S1-98 DR-S1-99 DR-S1-00	(129) 4,140 <u>18,576</u>	0 0 <u>0</u>	820 2,459 <u>17,583</u>	0 0 <u>0</u>
Total Safe and Drug Free Schools and Community			22,587	0	20,862	0
Goals 2000 - State and Local Education Systemic Improvement	84.276	G2-S1-98 G2-S6-99 G2-S1-00	(1,595) 33,600 <u>37,898</u>	0 0 <u>0</u>	14,384 63,981 <u>72,303</u>	0 0 <u>0</u>
Total Goals 2000 - State and Local Education Systemic Improvement			69,903	0	150,668	0
Eisenhower Professional Development State Grant	84.281	MS-S1 00	12,595	0	11,665	0
Innovative Education Program Strategies	84.298	C2-S1-98C C2-S1-99C C2-S1-00	(116) 2,929 <u>14,806</u>	0 0 <u>0</u>	9,624 13,800 <u>10,874</u>	0 0 <u>0</u>
Total Innovative Education Program Strategies			17,619	0	34,298	0
Class Size Reduction Subsidy	84.340	CR-S1-00	<u>27,885</u>	<u>0</u>	<u>27,851</u>	<u>0</u>
Total U.S. Department of Education			<u>1,152,192</u>	<u>0</u>	<u>1,141,931</u>	<u>0</u>

The accompanying notes to this schedule are an integral part of this schedule.

**MADISON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
Passed Through the Ohio Department of Education						
Child Nutrition Cluster: Food Distribution	10.550	N/A	0	87,863	0	86,511
School Breakfast Program	10.553	N/A	24,309	0	24,309	0
National School Lunch Program	10.555	N/A	262,667	0	262,668	0
Child and Adult Care Food Program	10.558	N/A	6,839	0	6,837	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>293,815</u>	<u>87,863</u>	<u>293,814</u>	<u>86,511</u>
<u>U.S. Department of Labor</u>						
Passed Through the Ohio Department of Education						
Employment Services and Job Training Pilot and Demonstration Programs	17.249	WK-BE-98 WK-BE-99	2,738 814	0 0	13,459 814	0 0
Passed Through the Pioneer Career & Technology Center						
Employment Services and Job Training Pilot and Demonstration Programs	17.249		<u>3,000</u>	<u>0</u>	<u>2,557</u>	<u>0</u>
Total Employment Services and Job Training Pilot and Demonstration Programs			<u>6,552</u>	<u>0</u>	<u>16,830</u>	<u>0</u>
Total U.S. Department of Labor			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>U.S. Department of Health and Human Services</u>						
Passed Through the Ohio Department of Education						
Dependent Care Plan	93.673	DC-S1 99	<u>(2,903)</u>	<u>0</u>	<u>198</u>	<u>0</u>
Total U.S. Department of Health & Human Services			<u>(2,903)</u>	<u>0</u>	<u>198</u>	<u>0</u>
Total Federal Assistance			<u>\$1,449,656</u>	<u>\$87,863</u>	<u>\$1,452,773</u>	<u>\$86,511</u>

The accompanying notes to this schedule are an integral part of this schedule.

**MADISON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) 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 - FOOD DISTRIBUTION**

Non-monetary 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, 2000 the District had no significant food commodities in inventory.

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STATE OF OHIO  
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JIM PETRO, AUDITOR OF STATE

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

Madison Local School District  
Richland County  
1379 Grace Street  
Mansfield, Ohio 44905-2742

To the Board of Education:

We have audited the general purpose financial statements of Madison Local School District, Richland County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated February 16, 2001, in which we noted the District changed its method of accounting and reporting to comply with generally accepted accounting principles. 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 2000-10570-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 16, 2001.

**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 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 certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 16, 2001.

Madison Local School District  
Richland 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 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

February 16, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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

Madison Local School District  
Richland County  
1379 Grace Street  
Mansfield, Ohio 44905-2742

To the Board of Education:

**Compliance**

We have audited the compliance of Madison Local School District, Richland County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

**Internal Control Over Compliance**

The management of the 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 the internal control over compliance in accordance with OMB Circular A-133.

Madison Local School District  
Richland County  
Report of Independent Accountants 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

February 16, 2001

**MADISON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster, CFDA #10.550, 10.553, 10.555 and 10.558 Special Education Cluster, CFDA #84.027, 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MADISON LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000  
(Continued)**

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

**Finding # 2000-10570-001**

**Ohio Rev. Code Section 135.14 (O) (1) & (2)**, requires that the District have a written investment policy on file with the Auditor of State that is approved by the Treasurer or Board of Education, as defined in Ohio Rev. Code Section 135.01. If a policy is not filed, the Treasurer is limited to investing in interim deposits (certificates of deposits, savings accounts) or STAR Ohio.

The District did not have a written investment policy but still invested monies in repurchase agreements throughout the year. As of June 30, 2000, the amount invested in repurchase agreements was \$3,353,951. We recommend that the District adopt a written investment policy and file same with the Auditor of State.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MADISON LOCAL SCHOOL DISTRICT**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 13, 2001**