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AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**Madison-Plains Local School District
General Purpose Financial Statements
Year Ended June 30, 2002**

FINANCIAL SECTION

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying general-purpose financial statements of Madison Plains Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Madison Plains Local School District, Madison County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003 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.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for 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. We subjected this information 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

JIM PETRO
Auditor of State

January 10, 2003

**Madison-Plains Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 593,631	187,598	0	269,026	8,660	222,643	46,949	0	0	\$ 1,328,507
Cash with Fiscal Agent	0	0	33,762	0	0	38,265	0	0	0	72,027
Restricted Assets	23,470	0	0	0	0	0	0	0	0	23,470
Taxes Receivable	4,186,075	0	0	327,268	0	0	0	0	0	4,513,343
Interfund Receivables	28,519	0	0	0	0	0	0	0	0	28,519
Intergovernmental Receivables	0	0	0	0	12,612	244,608	0	0	0	257,220
Accounts Receivable	2,274	1,818	0	80,890	21	0	0	0	0	85,003
Supplies Inventory	0	0	0	0	5,510	0	0	0	0	5,510
Inventory for Resale	0	0	0	0	13,588	0	0	0	0	13,588
Property, Plant & Equipment	0	0	0	0	303,962	21,253	0	11,329,522	0	11,654,737
Accumulated Depreciation, where applicable	0	0	0	0	(188,784)	(7,859)	0	0	0	(196,643)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	775,922	775,922
Total Assets and Other Debits	\$ 4,833,969	189,416	33,762	677,184	155,569	518,910	46,949	11,329,522	775,922	\$ 18,561,203

(Continued)

**Madison-Plains Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum Only)
Liabilities:										
Interfund Payables	\$ 0	14,211	0	0	14,308	0	0	0	0	\$ 28,519
Intergovernmental Payables	184,785	1,238	0	0	14,271	0	0	0	82,546	282,840
Accounts Payables	25,373	2,163	0	135,694	0	0	0	0	0	163,230
Claims Payables	0	0	0	0	0	185,387	0	0	0	185,387
Matured Bonds Payable	0	0	33,762	0	0	0	0	0	0	33,762
Accrued Salaries and Benefits	868,871	33,151	0	0	31,042	0	0	0	0	933,064
Deferred Revenue	2,767,629	0	0	211,685	0	0	0	0	0	2,979,314
Due to Others	0	0	0	0	0	0	46,949	0	0	46,949
Capital Lease Payable	0	0	0	0	0	0	0	0	11,605	11,605
Compensated Absences Payable	77,100	0	0	0	8,805	0	0	0	681,771	767,676
Total Liabilities	3,923,758	50,763	33,762	347,379	68,426	185,387	46,949	0	775,922	5,432,346
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	11,329,522	0	11,329,522
Contributed Capital	0	0	0	0	126,224	0	0	0	0	133,291
Retained Earnings/Accumulated Deficits	0	0	0	0	(39,081)	333,523	0	0	0	287,375
Fund Balances:										
Reserved for Encumbrances	112,454	28,950	0	161,213	0	0	0	0	0	302,617
Reserved for Textbooks	23,470	0	0	0	0	0	0	0	0	23,470
Reserved for Future Appropriation	1,418,446	0	0	115,583	0	0	0	0	0	1,534,029
Unreserved Fund Balance	(644,159)	109,703	0	53,009	0	0	0	0	0	(481,447)
Total Fund Equity	910,211	138,653	0	329,805	87,143	333,523	0	0	0	1,378,669
Total Fund Balances/Retained Earnings and Other Credits	910,211	138,653	0	329,805	87,143	333,523	0	11,329,522	0	13,128,857
Total Liabilities, Fund Equity, and Other Credits	\$ 4,833,969	189,416	33,762	677,184	155,569	518,910	46,949	11,329,522	775,922	\$ 18,561,203

See Accompanying Notes to the General Purpose Financial Statements.

Madison-Plains Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 4,019,508	0	0	323,570	\$ 4,343,078
Tuition	15,522	0	0	0	15,522
Earnings on Investments	71,445	0	0	0	71,445
Extracurricular Activities	0	129,285	0	0	129,285
Classroom Materials & Fees	56,767	0	0	0	56,767
Miscellaneous	9,063	23,751	0	0	32,814
Revenue from State Sources					
Unrestricted Grants-in-Aid	5,810,882	0	0	31,498	5,842,380
Restricted Grants-in-Aid	105,411	167,701	0	109,203	382,315
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	297,698	0	0	297,698
Total Revenue	10,088,598	618,435	0	464,271	11,171,304
EXPENDITURES:					
Current:					
Instruction					
Regular	5,047,235	71,129	0	37,390	5,155,754
Special	582,999	196,074	0	0	779,073
Vocational	300,653	0	0	0	300,653
Adult/Continuing Instruction	2,191	0	0	0	2,191
Other	4,249	0	0	0	4,249
Supporting Services					
Pupils	436,977	38,442	0	18,730	494,149
Instructional Staff	426,628	83,436	0	2,202	512,266
Board of Education	59,013	0	0	0	59,013
Administration	871,023	71,171	0	128,374	1,070,568
Fiscal Services	334,812	0	0	10,998	345,810
Business	2,674	0	0	0	2,674
Operation & Maintenance-Plant	873,274	1,249	0	104,730	979,253
Pupil Transportation	787,228	0	0	121,377	908,605
Central	178,940	47,979	0	108,148	335,067
Operation of Non-Instructional Services					
Food Service & Community Operations	0	88,187	0	7,817	96,004
Extracurricular Activities					
Academic & Subject Oriented	99,607	47,303	0	0	146,910
Sports Oriented	190,857	80,555	0	0	271,412
Co-Curricular Activities	28,958	543	0	0	29,501
Capital Outlay					
Site Improvement	0	0	0	72,937	72,937
Architecture & Engineering	0	0	0	3,610	3,610
Educ. Special Development	0	0	0	4,654	4,654
Building Acquisition & Construction	0	0	0	97,255	97,255
Building Improvements	0	0	0	48,732	48,732
Debt Service					
Repayment of Debt	0	0	51,813	0	51,813
Total Expenditures	10,227,318	726,068	51,813	766,954	11,772,153
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(138,720)	(107,633)	(51,813)	(302,683)	(600,849)
Other Financing Sources and Uses:					
Sale & Loss of Assets	4,896	0	0	285,332	290,228
Transfers-In	0	2,243	51,813	0	54,056
Other Sources	4,000	0	0	12,000	16,000
Transfers-Out	(97,557)	0	0	0	(97,557)
Other Uses	0	(2,243)	0	0	(2,243)
Net Other Financing Sources and Uses	(88,661)	0	51,813	297,332	260,484
Excess (Deficiency) of Revenues and Other Sources Over Expenditure					
Disbursement and Other Uses	(227,381)	(107,633)	0	(5,351)	(340,365)
Beginning Fund Balance	1,137,592	246,286	0	335,156	1,719,034
Ending Fund Balance	\$ 910,211	138,653	0	329,805	\$ 1,378,669

See Accompanying Notes to the General Purpose Financial Statements.

Madison-Plains Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 4,002,941	4,002,941	0	0	0	\$ 0
Tuition	15,522	15,522	0	0	0	0
Earnings on Investment	70,570	70,570	0	0	0	0
Extracurricular Activities	0	0	0	129,233	129,233	0
Classroom Materials and Fees	56,737	56,737	0	0	0	0
Miscellaneous	13,744	13,744	0	22,728	22,728	0
State Unrestricted Grants-In-Aid	5,810,882	5,810,882	0	0	0	0
State Restricted Grants-in-Aid	105,411	105,411	0	167,701	167,701	0
Federal Restricted Grants-in-Aid	0	0	0	373,363	373,363	0
Total Revenue	10,075,807	10,075,807	0	693,025	693,025	0
Expenditures:						
Regular Instruction	5,130,708	5,152,430	(21,722)	95,116	80,968	14,148
Special Instruction	540,254	595,155	(54,901)	186,166	186,736	(570)
Vocational Instruction	286,882	293,155	(6,273)	0	0	0
Adult/Continuing Instruction	2,135	2,204	(69)	0	0	0
Other Instruction	5,000	4,249	751	0	0	0
Support Services-Pupils	446,684	442,039	4,645	48,385	38,566	9,819
Support Services-Instructional Staff	433,796	432,857	939	103,853	91,269	12,584
Support Services-Board of Education	32,746	62,426	(29,680)	0	0	0
Support Services-Administration	1,103,982	897,316	206,666	77,548	70,740	6,808
Fiscal Services	371,883	338,350	33,533	0	0	0
Business Services	0	2,674	(2,674)	0	0	0
Operation & Maintenance-Plant	844,312	887,193	(42,881)	0	1,249	(1,249)
Support Services-Transportation	810,687	818,102	(7,415)	0	0	0
Support Services-Central	184,426	180,565	3,861	53,932	47,979	5,953
Food Service Operations	0	0	0	0	0	0
Community Services	0	0	0	124,942	127,199	(2,257)
Academic & Subject Oriented	92,039	99,949	(7,910)	10,343	47,303	(36,960)
Sports Oriented	211,232	204,530	6,702	128,715	80,668	48,047
Co-Curricular Activities	19,943	29,793	(9,850)	663	543	120
Site Improvement	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	10,516,709	10,442,987	73,722	829,663	773,220	56,443
Excess of Revenue Over (Under) Expenditures	(440,902)	(367,180)	73,722	(136,638)	(80,195)	56,443
Other Financing Sources (Uses):						
Sale & Loss of Assets	4,896	4,896	0	0	0	0
Transfers-In	0	0	0	2,243	2,243	0
Advances-In	76,988	76,988	0	14,212	14,212	0
Refund of Prior Year Expenditures	4,045	4,045	0	0	0	0
Transfers-Out	(95,313)	(97,557)	(2,244)	0	0	0
Advances-Out	(28,020)	(28,521)	(501)	(53,356)	(53,616)	(260)
Refund of Prior Year Receipts	0	0	0	(2,243)	(2,243)	0
Total Other Sources (Uses)	(37,404)	(40,149)	(2,745)	(39,144)	(39,404)	(260)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	(478,306)	(407,329)	70,977	(175,782)	(119,599)	56,183
Beginning Fund Balance	857,240	857,240	--	194,010	194,010	--
Prior Year Carry Over Encumbrances	34,595	34,595	--	78,761	78,761	--
Ending Fund Balance	\$ 413,529	484,506	70,977	96,989	153,172	\$ 56,183

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Madison-Plains Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types- Continued
Year Ended June 30, 2002

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	322,158	322,158	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	31,498	31,498	0
State Restricted Grants-in-aid	0	0	0	109,203	109,203	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	0	0	0	462,859	462,859	0
Expenditures:						
Regular Instruction	0	0	0	147,509	37,391	110,118
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	17,972	18,935	(963)
Support Services-Instructional Staff	0	0	0	0	2,202	(2,202)
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	171,005	131,874	39,131
Fiscal Services	0	0	0	10,000	10,998	(998)
Business Services	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	82,290	140,605	(58,315)
Support Services-Transportation	0	0	0	60,000	131,532	(71,532)
Support Services-Central	0	0	0	73,671	107,851	(34,180)
Food Service Operations	0	0	0	0	7,817	(7,817)
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement	0	0	0	0	0	0
Building Improvement	0	0	0	243,267	215,226	28,041
Repayment of Debt	51,813	51,813	0	0	0	0
Total Expenditures	51,813	51,813	0	805,714	804,431	1,283
Excess of Revenue Over (Under) Expenditures	(51,813)	(51,813)	0	(342,855)	(341,572)	1,283
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	204,442	204,442	0
Transfers-In	51,813	51,813	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	12,000	12,000	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(24,000)	(24,000)	0
Total Other Sources (Uses)	51,813	51,813	0	192,442	192,442	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(150,413)	(149,130)	1,283
Beginning Fund Balance	1	1	--	244,816	244,816	--
Prior Year Carry Over Encumbrances	0	0	--	8,410	8,410	--
Ending Fund Balance	<u>\$ 1</u>	<u>1</u>	<u>0</u>	<u>102,813</u>	<u>104,096</u>	<u>\$ 1,283</u>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Madison-Plains Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types- Continued
Year Ended June 30, 2002

Totals (Memorandum Only)			
	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 4,325,099	4,325,099	\$ 0
Tuition	15,522	15,522	0
Earnings on Investment	70,570	70,570	0
Extracurricular Activities	129,233	129,233	0
Classroom Materials and Fees	56,737	56,737	0
Miscellaneous	36,472	36,472	0
State Unrestricted Grants-in-Aid	5,842,380	5,842,380	0
State Restricted Grants-in-aid	382,315	382,315	0
Federal Restricted Grants-in-Aid	<u>373,363</u>	<u>373,363</u>	<u>0</u>
Total Revenue	11,231,691	11,231,691	0
Expenditures:			
Regular Instruction	5,373,333	5,270,789	102,544
Special Instruction	726,420	781,891	(55,471)
Vocational Instruction	286,882	293,155	(6,273)
Adult/Continuing Instruction	2,135	2,204	(69)
Other Instruction	5,000	4,249	751
Support Services-Pupils	513,041	499,540	13,501
Support Services-Instructional Staff	537,649	526,328	11,321
Support Services-Board of Education	32,746	62,426	(29,680)
Support Services-Administration	1,352,535	1,099,930	252,605
Fiscal Services	381,883	349,348	32,535
Business Services	0	2,674	(2,674)
Operation & Maintenance-Plant	926,602	1,029,047	(102,445)
Support Services-Transportation	870,687	949,634	(78,947)
Support Services-Central	312,029	336,395	(24,366)
Food Services Operations	124,942	127,199	(2,257)
Academic & Subject Oriented	102,382	147,252	(44,870)
Sports Oriented	339,947	285,198	54,749
Co-Curricular Activities	20,606	30,336	(9,730)
Building Improvement	243,267	215,226	28,041
Repayment of Debt	<u>51,813</u>	<u>51,813</u>	<u>0</u>
Total Expenditures	<u>12,203,899</u>	<u>12,072,451</u>	<u>131,448</u>
Excess of Revenue Over (Under) Expenditures	(972,208)	(840,760)	131,448
Other Financing Sources (Uses):			
Sale & Loss of Assets	209,338	209,338	0
Transfers-In	54,056	54,056	0
Advances-In	91,200	91,200	0
Refund of Prior Year Expenditures	16,045	16,045	0
Transfers-Out	(95,313)	(97,557)	(2,244)
Advances-Out	(81,376)	(82,137)	(761)
Refund of Prior Year Receipts	<u>(26,243)</u>	<u>(26,243)</u>	<u>0</u>
Total Other Sources (Uses)	<u>167,707</u>	<u>164,702</u>	<u>(3,005)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(804,501)	(676,058)	128,443
Beginning Fund Balance	1,296,067	1,296,067	--
Prior Year Carry Over Encumbrances	121,766	121,766	--
Ending Fund Balance	<u>\$ 613,332</u>	<u>741,775</u>	<u>\$ 128,443</u>

See Accompanying Notes to the General Purpose Financial Statements.

Madison-Plains Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2002

	Proprietary Fund Types		
	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
Operating Revenues:			
Tuition	\$ 18,775	0	\$ 18,775
Food Services	363,199	0	363,199
Classroom Materials & Fees	12,561	0	12,561
Insurance Revenues	<u>0</u>	<u>1,525,511</u>	<u>1,525,511</u>
Total Operating Revenue	394,535	1,525,511	1,920,046
Operating Expenses:			
Personal Services - Salary	184,170	0	184,170
Employee Benefits	95,072	0	95,072
Purchased Services	5,127	1,580,649	1,585,776
Supplies and Materials	256,844	18,000	274,844
Other Expenses	0	700	700
Depreciation	<u>7,514</u>	<u>1,448</u>	<u>8,962</u>
Total Operating Expenses	<u>548,727</u>	<u>1,600,797</u>	<u>2,149,524</u>
Operating Gain (Loss)	(154,192)	(75,286)	(229,478)
Non-Operating Revenues and Expenses:			
Capital Contributions	7,067	0	7,067
Miscellaneous	0	15,000	15,000
State Restricted Grants-In-Aid	5,728	0	5,728
Federal Unrestricted Grants-in-Aid	89,554	0	89,554
Federal Commodities	<u>33,423</u>	<u>0</u>	<u>33,423</u>
Total Non-Operating Revenues	135,772	15,000	150,772
Net Income(Loss) before Operating Transfers	(18,420)	(60,286)	(78,706)
Transfers-In	<u>43,502</u>	<u>0</u>	<u>43,502</u>
Total Transfers	43,502	0	43,502
Net Income (Loss)	25,082	(60,286)	(35,204)
Beginning Retained Earnings/Accumulated Deficits	<u>(64,163)</u>	<u>393,809</u>	<u>329,646</u>
Retained Earnings/Accumulated Deficits at End of Year	<u>\$ (39,081)</u>	<u>333,523</u>	<u>\$ 294,442</u>

See Accompanying Notes to the General Purpose Financial Statements.

**Madison-Plains Local School District
 Combined Statement of Changes in Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 2002**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	
Cash Flows from Operating Activities			
Operating Income (Loss)	\$ (154,192)	(75,286)	\$ (229,478)
Adjustment to Reconcile Operating Income (Loss)			
To Net Cash used in Operating Activities:			
Depreciation	7,514	1,448	8,962
Federal Commodities	33,423	0	33,423
Net (Increase) Decrease in Assets:			
Accounts Receivable	29	0	29
Intergovernmental Receivables	1,072	(171,418)	(170,346)
Inventory	(1,667)	0	(1,667)
Net Increases (Decreases) in Liabilities:			
Intergovernmental Payable	494	0	494
Interfund Payable	(9,064)	0	(9,064)
Deferred Revenue	(3,867)	0	(3,867)
Claims Payable	0	31,957	31,957
Accrued Wages and Benefits	(5,107)	0	(5,107)
Compensated Absences	286	0	286
Total Adjustments	<u>23,113</u>	<u>(138,013)</u>	<u>(114,900)</u>
Net Cash Used in Operating Activities	(131,079)	(213,299)	(344,378)
Cash Flows from Noncapital Activities			
Grants from State Sources	5,728	0	5,728
Grants from Federal Sources	89,554	0	89,554
Miscellaneous	0	15,000	15,000
Transfers from Other Funds	<u>43,502</u>	<u>0</u>	<u>43,502</u>
Net Cash Provided by Noncapital Financing Sources	138,784	15,000	153,784
Net Increase in Cash & Cash Equivalents	7,705	(198,299)	(190,594)
Cash and Cash Equivalents at Beginning of Year	<u>955</u>	<u>459,207</u>	<u>460,162</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,660</u>	<u>260,908</u>	<u>\$ 269,568</u>
Non-Cash Transaction			
Capital Contributions	\$ 7,067		

See Accompanying Notes to the General Purpose Financial Statements.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

Average daily membership (ADM) as of October 1, 2001, was 1,622. The District employs 116 certified employees and 79 non-certificated employees. The District is supervised by the Madison County Educational Service Center, a separate entity.

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

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

B. Fund Accounting

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

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

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

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

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

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Account Groups

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

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

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

C. Measurement Focus/Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, accounts and grants.

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

D. Budget and Budgetary Accounting

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

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this Certificate is amended to include any unencumbered balances from the preceding fiscal year.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures, including encumbrances, may not exceed appropriations in any fund at the fund level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP 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);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet. During the fiscal year all investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002. Investments are reported at cost.

For the District, all investment earnings accrue to the General Fund as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$71,445.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2002. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2002 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of proprietary funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Fixed Assets

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

The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction of fixed assets utilized by the enterprise fund is also capitalized.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets (five to twenty years).

I. Compensated Absences

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

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

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

J. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds prior to fiscal year 2001. After fiscal year 2000, capital contributions received from other governments and private sources are recorded as revenues and are reported as retained earnings. Capital contributions from other funds are still recorded as contributed capital. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2002, the District had \$126,224 in contributed capital.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Interfund Transactions

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

M. Fund Balance Reserves

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

N. Use of Estimates in Preparation of Financial Statements

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

O. Memorandum Only - Total Columns

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

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 2. Budgetary Basis of Accounting

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types		
	General Fund	Special Revenue	Capital Project
GAAP Basis	\$ (227,381)	(107,633)	\$ (5,351)
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	(12,791)	74,590	(1,412)
Due to Expenditures:			
Net Adjustments to Expenditure Accruals	(215,669)	(47,152)	(37,477)
Net Adjustments to Other Uses and Sources	48,512	(39,404)	(104,890)
Budget Basis	\$ (407,329)	(119,599)	\$ (149,130)

Note 3. Cash and Cash Equivalents

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

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

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

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

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

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

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

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 3. Cash and Cash Equivalents (continued)

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 thirty days;

4. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio); and

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$12,713 and the bank balance was \$254,103, not including \$72,027 held by Trustee. Of the bank balance, \$100,000 was covered by Federal Depository Insurance; the remaining \$154,103 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 3. Cash and Cash Equivalents (continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The investment with STAROhio is not required to be categorized due to its nature.

	Category			Reported Amount	Fair Value
	1	2	3		
STAR Ohio				\$ 1,337,677	\$ 1,337,677
Total Investments				<u>\$ 1,337,677</u>	<u>\$ 1,337,677</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,424,004	\$ 0
Investments:		
STAR Ohio	(1,337,677)	1,337,677
Petty and Change Cash	(1,587)	0
Cash with fiscal Agents	<u>(72,027)</u>	
GASB Statement No. 3	<u>\$ 84,740</u>	<u>\$ 1,337,677</u>

Note 4. Property Tax

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

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 4. Property Tax (continued)

All property is required to be revalued every six years. The last revaluation for the District was completed in 2002; an update will be done in 2005. The next revaluation is scheduled for 2008. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Madison County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

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

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

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

The full tax rate at the fiscal year ended June 30, 2002 for operations was \$32.95 per \$1,000 of assessed valuation and \$2.50 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 8,831,340
Real Property-Residential/Agricultural	122,726,870
Real Property-Public Utilities	15,847,970
Personal Property-General	<u>19,520,563</u>
Total Assessed Value	<u><u>\$ 166,926,743</u></u>

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 5. Receivables

Receivables at June 30, 2002 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Enterprise Funds:	
Federal Lunchroom Reimbursement	<u>\$ 12,612</u>
Total Enterprise Fund	\$ 12,612
Internal Service Funds:	
Insurance Refund	<u>\$ 244,608</u>
Total Internal Service Funds	<u>\$ 244,608</u>
Total Intergovernmental Receivables	<u><u>\$ 257,220</u></u>

Note 6. Fixed Assets

The following is a summary of the proprietary fund types property, plant and equipment at June 30, 2002:

	Enterprise Fund	Internal Service Fund
Furniture and Equipment	\$ 303,962	\$ 21,253
Less Accumulated Depreciation	<u>(188,784)</u>	<u>(7,859)</u>
Net Fixed Assets	<u><u>\$ 115,178</u></u>	<u><u>\$ 13,394</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land, Buildings & Improvements	\$ 6,008,020	58,025	0	\$ 6,066,045
Furniture and Equipment	3,376,560	146,273	0	3,522,833
Vehicles	1,740,644	0	0	1,740,644
Total General Fixed Assets	<u><u>\$ 11,125,224</u></u>	<u><u>204,298</u></u>	<u><u>0</u></u>	<u><u>\$ 11,329,522</u></u>

There was no significant construction in progress at June 30, 2002.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3726.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the pension obligations.

The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension

obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$226,080, \$239,088 and \$196,824, respectively; 46.79 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$128,571 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$738,144, \$830,280 and \$665,184, respectively; 83.3 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$123,025 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 8. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$237,261 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. 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 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$153,437.

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, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 9. Compensated Absences

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

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

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 9. Compensated Absences (continued)

The classified personnel accumulate vacation based on the following schedule:

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 271 days and for certified employees it is 270 days.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 57 days. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 64 days.

Note 10. Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District also maintains a \$1,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$27,320,900.

B. Workers' Compensation-Public Entity Risk Pool

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

The intent of the GRP is to achieve the benefit of a reduced premium for the School district by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 10. Risk Management (continued)

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

C. Health Insurance

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

Claims liabilities are reported at their present value of \$185,387 at June 30, 2002. A summary of changes in self-insurance claims follows:

	June 30, 2002	June 30, 2001
Claim Liabilities at beginning of year	\$ 153,430	\$ 191,727
Incurred Claims	1,529,445	1,075,611
Claims Paid	<u>(1,497,488)</u>	<u>(1,113,908)</u>
Claim Liabilities at end of year	<u>\$ 185,387</u>	<u>\$ 153,430</u>

Effective July 1, 2002, the District terminated its membership in the Ross County School Employees Insurance Consortium. The District anticipates a refund of approximately \$38,265 once all outstanding claims are paid.

Note 11. Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payable	\$ 88,921	82,546	88,921	\$ 82,546
Capital Leases Payable	33,312	0	21,707	11,605
Compensated Absences Payable	<u>701,446</u>		<u>19,675</u>	<u>681,771</u>
	<u>\$ 823,679</u>	<u>764,317</u>	<u>812,074</u>	<u>\$ 775,922</u>

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 11. Long-Term Obligations (continued)

Additions and deletions of accrued compensated absences are shown net because it is impracticable for the District to determine these amounts separately. District employees are granted vacation and sick leave in varying amounts.

Capital Leases: The District is making installment payments on food service equipment purchased with an original value of \$79,787. This equipment has been capitalized in the enterprise fund. This obligation provides for interest at rates 8.96%, with an outstanding balance of \$11,605 at June 30, 2002.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2002:

	Year Ending June 30
FY 2003	\$ 12,137
Less interest:	(532)
Present Value of Minimum Lease Payments	\$ 11,605

Operating Leases: During fiscal year 2002, the District entered into two, five-year operating leases for copiers. The annual payments of \$27,612 are obligations of the general fund and are included in the annual appropriation measure of the District.

Debt Limits: The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$166,927. The voted debt limit at June 30, 2002 is \$15,023,407.

Note 12. Interfund Transactions

At June 30, 2002, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Receivables	Payables
General Fund	\$ 28,519	\$ 0
Special Revenue Fund	0	14,211
Enterprise Fund	0	14,308
	\$ 28,519	\$ 28,519

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 13. Segments of Enterprise Activities

The District maintains two Enterprise Funds to account for the operation of Food Services and Uniform School Supply Sales. Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, is as follows:

	Lunchroom Fund	Uniform School Supplies Fund	After School Care Program	Total
Operating Revenues	\$ 363,199	12,561	\$ 18,775	\$394,535
Operating Expenses:				
Depreciation	(7,514)	0	0	(7,514)
Other Expenses	(508,965)	(19,358)	(12,890)	(541,213)
Total Operating Expenses	<u>(516,479)</u>	<u>(19,358)</u>	<u>(12,890)</u>	<u>(548,727)</u>
Operating Income (Loss)	(153,280)	(6,797)	5,885	(154,192)
Non Operating Revenues and				
Capital Contributions	7,067	0	0	7,067
Grants	95,282	0	0	95,282
Federal Commodities	33,423	0	0	33,423
Transfers	43,502	0	0	43,502
Net Income (Loss)	<u>\$ 25,994</u>	<u>\$ (6,797)</u>	<u>\$ 5,885</u>	<u>\$ 25,082</u>
Net Working Capital	<u>\$ (23,349)</u>	<u>\$ (10,570)</u>	<u>\$ 5,885</u>	<u>\$ (28,034)</u>
Total Assets	<u>\$ 145,128</u>	<u>\$ 3,738</u>	<u>\$ 6,703</u>	<u>\$155,569</u>
Retained Earnings	<u>\$ (34,396)</u>	<u>\$ (10,570)</u>	<u>\$ 5,885</u>	<u>\$ (39,081)</u>

Note 14. Jointly Governed Organizations

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

Central Ohio Joint Vocational School - The Central Ohio Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Education consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Central Ohio Joint Vocational School, 7877 U.S. Route 42, NE, Plain City, Ohio 43064.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 15. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

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

Note 16. School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 17. Capital Projects Fund Loss of Assets

In 2001, the District suffered a fire in a modular building. An insurance settlement of \$285,332 was received by the District during the 2002 fiscal year and is recorded on the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, All Governmental Fund Types" as Sale and Loss of Assets in the Capital Projects Fund.

**Madison-Plains Local School District
Madison County**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 18. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Total
Set aside Cash Balance as of June 30, 2001	\$ 0	0	\$ 0
Current Year Set-Aside Requirement	215,667	215,667	431,334
Current Year Offsets	0	0	0
Qualifying Disbursements	<u>(192,197)</u>	<u>(247,335)</u>	<u>(439,532)</u>
Total	<u>23,470</u>	<u>(31,668)</u>	<u>(8,198)</u>
Cash Balance Carried Forward to FY2003	<u>\$ 23,470</u>	<u>0</u>	
Total Restricted Assets			<u>\$ 23,470</u>

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

Note 19. Fund Deficits

Fund balances and retained earnings at June 30, 2002, included the following individual fund deficits:

Summer School Program	\$ (8,908)
Title VI-b	\$ (4,266)
Title I	\$ (27,837)
Food Service Fund	\$ (34,396)
Uniform Supplies Fund	\$ (10,570)

The fund deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The deficits result from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$29,556	\$0	\$28,433
National School Breakfast Program	05-PU-02	10.553	12,036		12,036	
National School Lunch Program	LL-P4-01/02	10.555	<u>78,592</u>		<u>78,592</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>90,628</u>	<u>29,556</u>	<u>90,628</u>	<u>28,433</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-01/02-P	84.027	<u>165,423</u>		<u>112,168</u>	
Total Special Education Cluster			<u>165,423</u>		<u>112,168</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1-SD-01/02	84.010	120,215		134,863	
Drug-Free Schools Grant	DR-S1-02	84.186	12,029		6,556	
Eisenhower Professional Development Grant	MS-S1-00/01/02	84.281	8,378		4,597	
Innovative Educational Program Strategies	C2-S1-01/02	84.298	9,785		9,785	
Class Room Reduction	CR-S1-01/02	84.340	36,838		34,952	
Technology Infusion	AT-S1-02	84.352a	<u>2,403</u>		<u>658</u>	
Total Department of Education			<u>355,071</u>		<u>303,579</u>	
Total Federal Awards			<u>\$445,699</u>	<u>\$29,556</u>	<u>\$394,207</u>	<u>\$28,433</u>

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

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes 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, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

We have audited the general-purpose financial statements of the Madison Plains Local School District, Madison County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2003.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

January 10, 2003



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Compliance

We have audited the compliance of Madison Plains Local School District, Madison County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

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 internal control over compliance in accordance with OMB Circular A-133.

Madison Plains Local School District
Madison County
Independent Accountants' Report on Compliance
With Requirements Applicable to Major Federal Programs 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

JIM PETRO
Auditor of State

January 10, 2003

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

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 reported material non-compliance at the financial statement level (GAGAS)?	No
(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):	Nutrition Cluster #10.550/10.553/10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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MADISON PLAINS LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2003**