

---

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

**GENERAL-PURPOSE FINANCIAL  
STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**for the year ended June 30, 1999**

---

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

**GENERAL-PURPOSE FINANCIAL  
STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**for the year ended June 30, 1999**

Issued by:  
William L. Richardson, Treasurer

**MADISON LOCAL SCHOOL DISTRICT  
TABLE OF CONTENTS**

General-Purpose Financial Statements:

Independent Auditors' Report .....	1
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 1999 .....	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds - For the Year Ended June 30, 1999 .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget - Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types - For the Year Ended June 30, 1999 .....	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types - For the Year Ended June 30, 1999 .....	7
Combined Statement of Cash Flows - All Proprietary Fund Types - For the Year Ended June 30, 1999 .....	8
Notes to the General-Purpose Financial Statements .....	9
Required Supplemental Information - Year 2000 Disclosure .....	30
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	31



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398

Members of the Board of Education  
Madison Local School District  
Middletown, Ohio

We have reviewed the Independent Auditor's Report of the Madison Local School District, Butler County, prepared by Foxx & Company, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Madison Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO  
Auditor of State

January 6, 2000



**Foxx & Company**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Education  
Madison Local School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The Year 2000 Supplementary Information on page 30 is not a required part of the financial statements but is supplemental information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the District is or will become Year 2000 compliant, that the District's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become Year 2000 compliant.

*Foxx & Company*

Cincinnati, Ohio  
November 5, 1999

**Madison Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
Equity in pooled cash and investments	\$ 821,157	\$107,618	\$ 8,101	\$107,604
Taxes receivable	3,087,459	-	97,210	-
Intergovernmental	-	31,352	-	-
Prepaid items	6,659	-	-	-
Materials and supplies inventory	6,713	-	-	-
Restricted assets:				
Equity in pooled cash and investments	136,283	-	-	-
Fixed assets (net of accumulated depreciation where applicable)	-	-	-	-
Amount available in debt service for the retirement of general obligations	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
<b>Total assets and other debits</b>	<b><u>\$4,058,271</u></b>	<b><u>\$138,970</u></b>	<b><u>\$105,311</u></b>	<b><u>\$107,604</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 15,308	\$ 94	\$ -	\$ -
Accrued wages and benefits	614,686	29,678	-	-
Due to students and other groups	-	-	-	-
Compensated absences payable	8,203	-	-	-
Loan payable	-	-	-	-
Deferred revenue	<u>2,569,429</u>	<u>-</u>	<u>97,210</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>3,207,626</u></b>	<b><u>29,772</u></b>	<b><u>97,210</u></b>	<b><u>-</u></b>
<b>Equity and Other Credits</b>				
Investment in general fixed assets	-	-	-	-
Retained earnings, unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	171,924	16,622	-	65,356
Reserved for inventory	6,713	-	-	-
Reserved for prepaid items	6,659	-	-	-
Reserved for property taxes	252,950	-	-	-
Reserved for debt service	-	-	8,101	-
Reserved for budget stabilization	136,283	-	-	-
Designated for textbook	30,225	-	-	-
Designated for capital acquisition	102,218	-	-	-
Unreserved-undesignated	<u>143,673</u>	<u>92,576</u>	<u>-</u>	<u>42,248</u>
<b>Total equity and other credits</b>	<b><u>850,645</u></b>	<b><u>109,198</u></b>	<b><u>8,101</u></b>	<b><u>107,604</u></b>
<b>Total liabilities, equity and other credits</b>	<b><u>\$4,058,271</u></b>	<b><u>\$138,970</u></b>	<b><u>\$105,311</u></b>	<b><u>\$107,604</u></b>

See accompanying notes to the general-purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$82,683	\$112,309	\$ -	\$ -	\$ 1,239,472
-	-	-	-	3,184,669
12,309	-	-	-	43,661
-	-	-	-	6,659
-	-	-	-	6,713
-	-	-	-	136,283
70,587	-	5,197,105	-	5,267,692
-	-	-	8,101	8,101
-	-	-	<u>634,559</u>	<u>634,559</u>
<u>\$165,579</u>	<u>\$112,309</u>	<u>\$5,197,105</u>	<u>\$ 642,660</u>	<u>\$10,527,809</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,402
27,943	-	-	-	672,307
-	28,076	-	-	28,076
849	-	-	82,646	91,698
-	-	-	560,014	560,014
-	-	-	-	<u>1,157,875</u>
<u>28,792</u>	<u>28,076</u>	<u>-</u>	<u>642,660</u>	<u>4,034,136</u>
-	-	5,197,105	-	5,197,105
136,787	-	-	-	136,787
-	-	-	-	253,902
-	-	-	-	6,713
-	-	-	-	6,659
-	-	-	-	252,950
-	-	-	-	8,101
-	-	-	-	136,283
-	-	-	-	30,225
-	-	-	-	102,218
-	84,233	-	-	<u>362,730</u>
<u>136,787</u>	<u>84,233</u>	<u>5,197,105</u>	<u>-</u>	<u>6,493,673</u>
<u>\$165,579</u>	<u>\$112,309</u>	<u>\$5,197,105</u>	<u>\$ 642,660</u>	<u>\$10,527,809</u>

**Madison Local School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**for the year ended June 30, 1999**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$2,916,491	\$ -	\$97,210	\$ -	\$ -	\$ 3,013,701
Intergovernmental	4,625,677	256,957	-	205,057	-	5,087,691
tuition and fees	81,538	-	-	-	-	81,538
Earnings on investments	73,167	-	-	-	-	73,167
Extracurricular activities	-	138,890	-	-	-	138,890
Miscellaneous	83,476	35,253	-	-	125,000	243,729
<b>Total revenues</b>	<b>7,780,349</b>	<b>431,100</b>	<b>97,210</b>	<b>205,057</b>	<b>125,000</b>	<b>8,638,716</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,709,399	114,845	-	131,359	29,957	3,985,560
Special	422,356	83,472	-	-	-	505,828
Vocational	239	-	-	-	-	239
Other	5,555	-	-	-	-	5,555
<b>Support services:</b>						
Pupils	395,124	3,443	-	-	-	398,567
Instructional staff	333,286	72,316	-	6,510	-	412,112
Board of education	33,203	-	-	-	-	33,203
Administration	709,126	1,014	-	-	-	710,140
Fiscal	224,669	-	-	-	-	224,669
Business	118,610	-	-	-	-	118,610
Operation and maintenance of plant	718,042	8,235	-	95,543	-	821,820
Pupil transportation	463,410	-	-	-	-	463,410
Central	162,141	-	-	-	-	162,141
Extracurricular activities	162,218	153,202	-	-	10,883	326,303
Capital outlay	-	-	-	360,825	-	360,825
<b>Debt service:</b>						
Interest and fiscal charges	-	-	35,563	-	-	35,563
Principal retirement	-	-	61,647	-	-	61,647
<b>Total expenditures</b>	<b>7,457,378</b>	<b>436,527</b>	<b>97,210</b>	<b>594,237</b>	<b>40,840</b>	<b>8,626,192</b>
Excess of revenues over (under) expenditures	322,971	(5,427)	-	(389,180)	84,160	12,524
<b>Other Financing Sources (uses):</b>						
Refund of prior year expenditures	1,800	-	-	-	-	1,800
Refund of prior year receipts	-	-	-	-	-	-
Operating transfers-in	1,840	31,603	-	162,543	-	195,986
Operating transfers-out	(109,948)	-	-	(86,038)	-	(195,986)
<b>Total other financing sources (uses)</b>	<b>(106,308)</b>	<b>31,603</b>	<b>-</b>	<b>76,505</b>	<b>-</b>	<b>1,800</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	216,663	26,176	-	(312,675)	84,160	14,324
<b>Fund balances, beginning of year</b>	<b>633,982</b>	<b>83,022</b>	<b>8,101</b>	<b>420,279</b>	<b>73</b>	<b>1,145,457</b>
<b>Fund balances, end of year</b>	<b>\$ 850,645</b>	<b>\$ 109,198</b>	<b>\$ 8,101</b>	<b>\$ 107,604</b>	<b>\$ 84,233</b>	<b>\$ 1,159,781</b>

See accompanying notes to the general-purpose financial statements.



**Madison Local School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types**  
**for the year ended June 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$2,897,629	\$2,897,629	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,625,677	4,625,677	-	225,605	225,605	-
Tuition and fees	81,538	81,538	-	-	-	-
Earnings on investments	73,167	73,167	-	-	-	-
Extracurricular activities	-	-	-	138,890	138,890	-
Miscellaneous	<u>81,670</u>	<u>83,478</u>	<u>1,808</u>	<u>35,253</u>	<u>35,253</u>	<u>-</u>
<b>Total revenues</b>	<u><b>7,759,681</b></u>	<u><b>7,761,489</b></u>	<u><b>1,808</b></u>	<u><b>399,748</b></u>	<u><b>399,748</b></u>	<u><b>-</b></u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,753,467	3,753,467	-	127,388	127,388	-
Special	425,911	425,911	-	87,554	87,554	-
Vocational	239	239	-	-	-	-
Other	5,555	5,555	-	-	-	-
<b>Support services:</b>						
Pupils	398,118	398,118	-	3,443	3,443	-
Instructional staff	335,416	335,416	-	64,118	64,118	-
Board of education	31,988	31,988	-	-	-	-
Administration	715,100	715,100	-	1,014	1,014	-
Fiscal	225,945	225,945	-	-	-	-
Business	219,145	219,145	-	-	-	-
Operation and maintenance of plant	722,982	722,982	-	8,235	8,235	-
Pupil transportation	501,184	501,184	-	-	-	-
Central	162,141	162,141	-	-	-	-
Extracurricular activities	162,526	162,526	-	157,187	157,187	-
Capital outlay	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<u><b>7,659,717</b></u>	<u><b>7,659,717</b></u>	<u><b>-</b></u>	<u><b>448,939</b></u>	<u><b>448,939</b></u>	<u><b>-</b></u>
<b>Excess of revenues over (under) expenditures</b>	<u><b>99,964</b></u>	<u><b>101,772</b></u>	<u><b>1,808</b></u>	<u><b>(49,191)</b></u>	<u><b>(49,191)</b></u>	<u><b>-</b></u>
<b>Other Financing Sources (uses):</b>						
Refund of prior year expenditures	1,800	1,800	-	-	-	-
Refund of prior year receipts	-	-	-	-	-	-
Operating transfers in	1,840	1,840	-	31,603	31,603	-
Operating transfers out	<u>(109,948)</u>	<u>(109,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u><b>(106,308)</b></u>	<u><b>(106,308)</b></u>	<u><b>-</b></u>	<u><b>31,603</b></u>	<u><b>31,603</b></u>	<u><b>-</b></u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u><b>(6,344)</b></u>	<u><b>(4,536)</b></u>	<u><b>1,808</b></u>	<u><b>(17,588)</b></u>	<u><b>(17,588)</b></u>	<u><b>-</b></u>
<b>Fund balances, beginning of year</b>	773,413	773,413	-	97,802	97,802	-
<b>Prior year encumbrances appropriated</b>	<u>16,639</u>	<u>16,639</u>	<u>-</u>	<u>10,782</u>	<u>10,782</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><b>\$ 783,708</b></u>	<u><b>\$ 785,516</b></u>	<u><b>\$ 1,808</b></u>	<u><b>\$ 90,996</b></u>	<u><b>\$ 90,996</b></u>	<u><b>\$ -</b></u>

See accompanying notes to the general-purpose financial statements.

<u>Debt Service Fund</u>			<u>Capital Projects Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$97,210	\$97,210	\$ -	\$ -	\$ -	\$ -	\$2,994,839	\$2,994,839	\$ -
-	-	-	205,057	205,057	-	5,056,339	5,056,339	-
-	-	-	-	-	-	81,538	81,538	-
-	-	-	-	-	-	73,167	73,167	-
-	-	-	-	-	-	138,890	138,890	-
-	-	-	-	-	-	116,923	118,731	1,808
<u>97,210</u>	<u>97,210</u>	<u>-</u>	<u>205,057</u>	<u>205,057</u>	<u>-</u>	<u>8,461,696</u>	<u>8,463,504</u>	<u>1,808</u>
-	-	-	131,359	131,359	-	4,012,214	4,012,214	-
-	-	-	-	-	-	513,465	513,465	-
-	-	-	-	-	-	239	239	-
-	-	-	-	-	-	5,555	5,555	-
-	-	-	-	-	-	401,561	401,561	-
-	-	-	6,510	6,510	-	406,044	406,044	-
-	-	-	-	-	-	31,988	31,988	-
-	-	-	-	-	-	716,114	716,114	-
-	-	-	-	-	-	225,945	225,945	-
-	-	-	-	-	-	219,145	219,145	-
-	-	-	160,899	160,899	-	892,116	892,116	-
-	-	-	-	-	-	501,184	501,184	-
-	-	-	-	-	-	162,141	162,141	-
-	-	-	-	-	-	319,713	319,713	-
-	-	-	360,825	360,825	-	360,825	360,825	-
61,647	61,647	-	-	-	-	61,647	61,647	-
<u>35,563</u>	<u>35,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,563</u>	<u>35,563</u>	<u>-</u>
<u>97,210</u>	<u>97,210</u>	<u>-</u>	<u>659,593</u>	<u>659,593</u>	<u>-</u>	<u>8,865,459</u>	<u>8,865,459</u>	<u>-</u>
-	-	-	(454,536)	(454,536)	-	(403,763)	(401,955)	1,808
-	-	-	-	-	-	1,800	1,800	-
-	-	-	-	-	-	-	-	-
-	-	-	162,543	162,543	-	195,986	195,986	-
-	-	-	(86,038)	(86,038)	-	(195,986)	(195,986)	-
-	-	-	<u>76,505</u>	<u>76,505</u>	<u>-</u>	<u>1,800</u>	<u>1,800</u>	<u>-</u>
-	-	-	(378,031)	(378,031)	-	(401,963)	(400,155)	1,808
8,101	8,101	-	91,536	91,536	-	970,852	970,852	-
-	-	-	328,743	328,743	-	356,164	356,164	-
<u>\$ 8,101</u>	<u>\$ 8,101</u>	<u>\$ -</u>	<u>\$ 42,248</u>	<u>\$ 42,248</u>	<u>\$ -</u>	<u>\$ 925,053</u>	<u>\$ 926,861</u>	<u>\$ 1,808</u>

**Madison Local School District  
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings  
 All Proprietary Fund Types  
 for the year ended June 30, 1999**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating revenues:</b>	
Sales	\$ 289,220
Other operating revenues	<u>42,615</u>
Total operating revenue	<u>331,835</u>
<b>Operating expenses:</b>	
Salaries	178,343
Fringe benefits	53,148
Purchased services	19,283
Materials and supplies	186,999
Depreciation	<u>9,405</u>
Total operating expenses	<u>447,178</u>
Operating loss	<u>(115,343)</u>
<b>Non-Operating revenues:</b>	
Operating grants	<u>82,670</u>
Total non-operating revenues	<u>82,670</u>
Net loss	(32,673)
<b>Retained earnings, beginning of year</b>	<u>169,460</u>
<b>Retained earnings, end of year</b>	<u>\$ 136,787</u>

See accompanying notes to the general-purpose financial statements.

**Madison Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 for the year ended June 30, 1999**

	<u>Proprietary Fund Type</u>
<b>Cash flows from operating activities:</b>	<u>Enterprise</u>
Cash received from customers	\$ 331,835
Cash payments to suppliers for goods and services	(206,282)
Cash payments to employees for services	(176,896)
Cash payments for employee benefits	<u>(52,995)</u>
Net cash used for operating activities	<u>(104,338)</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating grants received	<u>70,361</u>
Net cash provided from noncapital training activities	<u>70,361</u>
<b>Cash Flows from capital and related financing activities:</b>	
Payments for capital acquisitions	<u>(5,360)</u>
Net cash used for capital and related financing activities	<u>(5,360)</u>
Net decrease in cash and cash equivalents	(39,337)
Cash and cash equivalents at beginning of year	<u>122,020</u>
Cash and cash equivalents at end of year	<u>\$ 82,683</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$(115,343)
<b>Adjustments to reconcile operating loss to net cash used for operating activities:</b>	
Depreciation expense	9,405
Changes in assets and liabilities:	
Increase in accrued wages	1,447
Increase in compensated absences payable	<u>153</u>
Net cash used for operating activities	<u>\$(104,338)</u>

See accompanying notes to the general-purpose financial statements.

**Madison Local School District**  
**Notes to the General-Purpose Financial Statements**  
**for the year ended June 30, 1999**

---

**NOTE A - DESCRIPTION OF THE DISTRICT**

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 81 non-certificated personnel and 101 certificated full time teaching and administrative personnel to provide services to students and other community members.

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

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

*THE REPORTING ENTITY*

For financial reporting purposes, the District's financial statements include all funds and account groups, and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

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

The following organizations are not part of the District entity and are excluded from the accompanying financial statements:

Madison Township - This government is a separate body politic and corporate. Trustees are elected independent of any District relationships, and administer the provisions of traditional township services.

#### *BASIS OF PRESENTATION - FUND ACCOUNTING*

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

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

#### **General Fund**

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

#### **Special Revenue Funds**

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

#### **Debt Service Fund**

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

#### **Capital Projects Funds**

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

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

### **Enterprise Funds**

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

**Fiduciary Funds** - Fiduciary Funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Non-expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. The District has no Non-expendable Trust Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

### **General Fixed Assets Account Group**

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

### **General Long-Term Obligations Account Group**

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

### *MEASUREMENT FOCUS/BASIS OF ACCOUNTING*

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

Proprietary Fund Types are accounted for on a cost of services, or "capital maintenance," measurement focus. Proprietary Fund Types income statements represent increases and decreases in net total assets.

**Basis of Accounting:** The modified accrual basis of accounting is followed for Governmental Expendable Trust and Agency Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year includes amounts collected at June 30 by the county auditor, delinquent property taxes, interest, tuition, and state and federal grants. Property taxes measurable as of June 30, 1999 and uncollected by the county auditor are not intended to finance fiscal 1999 operations and have been recorded as deferred revenues. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

Proprietary Funds and Non-expendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

#### *BUDGETARY DATA*

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

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

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

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

The District adopts an annual budget for all required funds under the Ohio Revised Code, however, only governmental fund types are required to be reported in accordance with generally accepted accounting principles. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget



includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget is to reflect the need for existing (or increased) tax rates.

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

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

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

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

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1998-99.

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

The original appropriation measure was amended during the year for governmental type funds as follows:

Fund Type	
Governmental:	
General Fund	\$ (137,974)
Special Revenue	(26,055)
Debt Service	7,900
Capital Projects	55,008

### *ENCUMBRANCES*

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

### *CASH AND INVESTMENTS*

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

During fiscal year 1999, investments were limited to the Fountain Square U.S. Treasury Obligations Fund, which is a no-load money market mutual fund that invests in short-term U.S. Treasury Obligations.

Investments in the fund are valued at the fund's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest revenue which has been credited to the general fund during fiscal year 1999 amounted to \$73,167.

For purposes of the Statement of Cash Flows (GASB Statement No. 9), all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

### *RESTRICTED ASSETS*

Restricted assets in the general fund represent cash and cash equivalents set aside to establish budget stabilization, textbook and capital acquisition reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve/designation has also been established for the restricted assets.

### *MATERIAL AND SUPPLIES INVENTORY*

Inventories are valued at lower of cost (First-in, First-out) or market and are determined by physical count.

### *FIXED ASSETS AND DEPRECIATION*

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of capitalizing assets with a cost greater than \$250 and a useful life of more than 5 years.

Proprietary Funds - Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated useful lives ranging from 6 to 20 years.

### *INTERGOVERNMENTAL REVENUES*

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

### *INTERFUND TRANSACTIONS*

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

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

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

Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term advances as of June 30, 1999.

*COMPENSATED ABSENCES*

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

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

The criteria for determining vested vacation and sick leave components is derived from negotiating agreements and state laws. In summary, the components of vesting are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How earned	Not eligible	0-20 days per year	10-20 days for each service year depending on length of service.
Maximum Accumulation	N/A	0-40 days	Must be used in year earned
Vested	N/A	As Earned	As earned after 1 year of service
Termination Entitlement	N/A	Paid upon termination	Paid upon termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year maximum)	1 1/4 days per month of employment (15 days per year maximum)	1 1/4 days per month employment (15 days per year maximum)
Maximum Accumulation	184 days	Contract days	Contract days

Vested	As Earned	As Earned	As Earned
Termination Entitlement	Upon retirement	Upon retirement	Upon retirement

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

*LONG-TERM OBLIGATIONS*

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

*FUND EQUITY*

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, inventory, prepaid items, debt service, property taxes, textbook set-aside and capital acquisition set-aside and the budget stabilization reserve. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds.

*ESTIMATES*

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

*MEMORANDUM ONLY-TOTAL COLUMNS*

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

## *AUTHORITATIVE SOURCES*

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

### **NOTE C - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys 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;
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, Governmental National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written purchase 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).

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

**Deposits** - At year end the carrying amount of the District's deposits was \$118,944 and the bank balance was \$478,413 (including payroll clearing accounts with a book balance of \$0 and a bank balance of \$39,934). Of the bank balance, \$100,000 was covered by federal depository insurance, and \$378,413 was covered by collateral held by third party trustees pursuant to section 135.181 of the Ohio Revised Code, in collateral pools serving all public funds on deposit with specific depository institutions.

**Investments** - The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its department or agent, but not in the District's name.

<u>Uncategorized Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Fountain Square U.S. Treasury Obligations Fund	\$1,256,811	\$1,256,811

The Fountain Square U.S. Treasury Obligations Fund is a no-load money market fund which invests in short-term U.S. Treasury Obligations. The investment is not categorized within a risk category because it is not evidenced by securities that exist in physical or book entry form.

#### **NOTE D - PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1998 were based as follows:

Real Property	
Residential/agricultural	\$ 83,648,110
Commercial/industrial	7,623,420
Public utilities	72,410
Tangible Personal Property	
General	3,622,136
Public utilities	<u>5,933,650</u>
Total Valuation	<u>\$100,899,726</u>

In 1999 real property taxes were levied in January on the assessed values as of January 1, 1998, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January, 1996. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 1999, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 1999, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least ½ amount billed) was due January 20th with the remainder due on July 20th.

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



Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which are measurable at June 30, 1999. Unremitted property taxes collected by the County as of June 30, 1999, which are available for advances by the District under Ohio law are included as a receivable and as tax revenue. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable they are intended to finance the next fiscal year's operations.

**NOTE E - RECEIVABLES**

Receivables at June 30, 1999 consisted of property taxes, income taxes, intergovernmental items and accrued interest. All receivables are considered collectible in full.

A summary of the receivable items follow:

<u>Fund</u>	<u>Type of Receivable</u>	<u>Amount</u>
General Fund	Property taxes	\$2,822,379
	Income taxes	265,080
Special Revenue Fund	Intergovernmental	31,352
Debt Service Fund	Property taxes	97,210
Enterprise Fund	Intergovernmental	12,309

**NOTE F - FIXED ASSETS**

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

<u>Asset Category</u>	<u>Balance at June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 1999</u>
Land and improvements	\$ 251,257	\$ -	\$ -	\$ 251,257
Buildings	2,318,866	1,600	-	2,320,466
Furniture, fixtures and equipment	1,705,065	241,304	(112,498)	1,833,871
Vehicles	<u>783,511</u>	<u>8,000</u>	<u>-</u>	<u>791,511</u>
Totals	<u>\$5,058,699</u>	<u>\$250,904</u>	<u>\$(112,498)</u>	<u>\$5,197,105</u>

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

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

Furniture and equipment	\$157,105
Less accumulated depreciation	<u>(86,518)</u>
Net fixed assets - Proprietary Fund	<u>\$ 70,587</u>

**NOTE G - GENERAL LONG TERM OBLIGATIONS**

During the year ended June 30, 1999 the following changes occurred in liabilities reported in the General Long Term Obligations Account Group.

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
Compensated Absence:				
Vacation	\$ 11,663	\$ -	\$ 1,930	\$ 9,733
Accrued Sick Leave	<u>83,607</u>	<u>-</u>	<u>10,694</u>	<u>72,913</u>
Total compensated absences	<u>95,270</u>	<u>-</u>	<u>12,624</u>	<u>82,646</u>
General Obligation Debt:				
Installment payment agreement	<u>621,661</u>	<u>-</u>	<u>61,647</u>	<u>560,014</u>
Total	<u>\$716,931</u>	<u>\$ -</u>	<u>\$74,271</u>	<u>\$642,660</u>

Compensated absences will be paid from the fund from which the employee is paid.

The Installment Payment Agreement is to provide funds for energy conservation measures in the District. The loan will be paid in monthly installments of \$8,101, including interest at a rate of 5.99 percent, over 10 years. The agreement allows for the rate to be reset after seven years. Amortization of the above loan, including interest at a rate of 5.99 percent, is scheduled as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2000	\$97,212
2001	97,212
2002	97,212
2003	97,212
2004	97,212
Subsequent	<u>202,505</u>
Total	<u>\$688,565</u>

**NOTE H - SET-ASIDE CALCULATIONS**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

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

**Reserved Fund Balances**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ -	\$ -	\$ 73,423	\$ 73,423
Current year set-aside requirement	125,719	125,719	62,860	314,298
Qualifying disbursements	<u>(125,719)</u>	<u>(125,719)</u>	<u>-</u>	<u>(251,438)</u>
Set aside cash balance as of June 30, 1999	<u>\$ -</u>	<u>\$ -</u>	<u>\$136,283</u>	<u>\$136,283</u>

Although the District had qualifying disbursements during the year that reduced the set-aside amounts for textbooks and instructional materials and capital acquisitions to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for textbooks and instructional materials and capital acquisitions during the year were \$334,697 and \$405,976 respectively, which exceeded the required set-asides and reserve balances.

## Designated Fund Balances

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Additional Money Set Aside as of June 30, 1999	<u>\$30,225</u>	<u>\$102,218</u>	<u>\$132,443</u>

The District also set-aside additional money in excess of statutory requirements for textbooks and instructional materials and capital acquisitions. These amounts are presented on the balance sheet as a designation of fund balance rather than as a reserve, and is therefore not included in restricted assets.

## NOTE I - SEGMENT INFORMATION

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

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$289,220	\$42,615	\$ 331,835
Operating expenses	<u>403,608</u>	<u>43,570</u>	<u>447,178</u>
Operating income (loss)	(114,388)	(955)	(115,343)
Operating grants	<u>82,670</u>	<u>0</u>	<u>82,670</u>
Net income (loss)	<u>\$ (31,718)</u>	<u>\$ (955)</u>	<u>\$ (32,673)</u>
Net working capital	<u>\$ 29,173</u>	<u>\$37,027</u>	<u>\$ 66,200</u>
Total assets	<u>\$128,552</u>	<u>\$37,027</u>	<u>\$165,579</u>
Total liability	<u>\$ 28,792</u>	<u>\$ -</u>	<u>\$ 28,792</u>
Total equity	<u>\$ 99,760</u>	<u>\$37,027</u>	<u>\$136,787</u>

## **NOTE J - EMPLOYEE RETIREMENT SYSTEMS**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the years ended June 30, 1999, 1998, and 1997 were \$211,614, \$195,984, and \$181,218 respectively, equal to the required contributions for each year.

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$563,892, \$554,592, and \$555,684 respectively, equal to the required contributions for each year.

## **NOTE K - POST EMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$138,193 during fiscal 1999.

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

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

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$109,807 during the 1999 fiscal year.

#### **NOTE L - BUDGET TO GAAP RECONCILIATION**

While the School District is reporting financial position, results of operation, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)-All Governmental Fund Types type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following tables summarize 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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$216,663	\$ 26,176	\$ -	\$(312,675)
Adjustments:				
Revenue Accruals	(18,860)	(31,352)	-	-
Expenditure Accruals	(30,415)	4,210	-	-
Encumbrances	<u>(171,924)</u>	<u>(16,622)</u>	<u>-</u>	<u>(65,356)</u>
Budget basis	<u>\$ (4,536)</u>	<u>\$(17,588)</u>	<u>\$ -</u>	<u>\$(378,031)</u>

**NOTE M - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and employee health and accident insurance.

**NOTE N - JOINT VENTURE**

The Southwest Ohio Computer Association (SWOCA) is a governmental joint venture among a three county consortium of Ohio school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the

administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 29 school districts. During the 1999 fiscal year the District paid \$16,494 to SWOCA for services.

**NOTE O - RESTATEMENT OF FUND BALANCE**

During fiscal year 1999, the District reclassified the Technology Grant Fund from a Special Revenue Fund to a Capital Projects Fund. The reclassification requires the restatement of fund balances as of June 30, 1998 as follows:

	<u>Governmental Fund Types</u>	
	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund balance at June 30, 1998 as previously reported	\$90,360	\$412,941
Restatement due to reclassification	<u>(7,338)</u>	<u>7,338</u>
Restated fund balance at July 1, 1998	<u>\$83,022</u>	<u>\$420,279</u>

The effect of the adjustment on the amounts previously reported for the excess of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 1998 is to reduce the amount previously reported in the Special Revenue Fund and increase the amount previously reported in the Capital Projects Fund by \$2,451.

**NOTE P - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State’s “school foundation program,” which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,293,159 of school foundation support for its general fund.

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



and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE Q - SUBSEQUENT EVENT**

On July 1, 1999, the District issued bond anticipation notes in the amount of \$10,000,000 for the purpose of construction, improvements, renovations, and additions to school facilities. The interest rate on the notes is 3.85 percent which matures on January 12, 2000.

## **SUPPLEMENTARY INFORMATION**

**MADISON LOCAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION -YEAR 2000 DISCLOSURE  
June 30, 1999**

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

Madison Local School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits and educational statistics reporting (through the State's Education Management and Information system (EMIS)).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "foundation" and Federal and State grant payments. Further, the state processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

MADISON LOCAL SCHOOL DISTRICT  
BUTLER 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.

By: \_\_\_\_\_

*Susan Babbitt*

Clerk of the Bureau

Date: \_\_\_\_\_

**JAN 18 2000**



**Foxx & Company**  
Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Members of the Board of Education  
Madison Local School District

We have audited the financial statements of the Madison Local School District (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated November 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

This report is intended solely for the information and use of management and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

*Fox & Company*

Cincinnati, Ohio  
November 5, 1999