

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

**GENERAL-PURPOSE FINANCIAL
STATEMENTS AND
SINGLE AUDIT REPORTS**

for the year ended June 30, 2000

Issued by:
William L. Richardson, Treasurer



STATE OF OHIO
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The Honorable Members of the Board of Education
Madison Local School District
601 Hill St.
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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, 1999 through June 30, 2000. 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.

JIM PETRO
Auditor of State

January 10, 2001

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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, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 statement. 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, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the general-purpose financial statements and, in our opinion is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Cincinnati, Ohio
October 20, 2000

**Madison Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Equity in pooled cash and investments	\$ 820,245	\$77,742	\$ 13,168	\$10,532,080
Taxes receivable	3,202,585	-	757,785	-
Intergovernmental	-	19,386	-	-
Prepaid items	6,664	-	-	-
Materials and supplies inventory	11,787	-	-	-
Restricted assets:				
Equity in pooled cash and investments	136,538	-	-	-
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	-	-	-	-
Total assets and other debits	<u>\$4,177,819</u>	<u>\$97,128</u>	<u>\$770,953</u>	<u>\$10,532,080</u>
Liabilities				
Accounts payable	\$ 7,523	\$ 3,017	\$ -	\$ 470,115
Accrued wages and benefits	764,018	29,596	-	-
Due to students and other groups	-	-	-	-
Compensated absences payable	13,592	-	-	-
Accrued interest payable	-	-	-	53,000
Loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Bond anticipation notes payable	-	-	-	2,770,000
Deferred revenue	<u>2,690,345</u>	<u>-</u>	<u>757,785</u>	<u>-</u>
Total liabilities	<u>3,475,478</u>	<u>32,613</u>	<u>757,785</u>	<u>3,293,115</u>
Equity and Other Credits				
Investment in general fixed assets	-	-	-	-
Retained earnings, unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	580	10,563	-	9,086,023
Reserved for inventory	11,787	-	-	-
Reserved for prepaid items	6,664	-	-	-
Reserved for property taxes	260,539	-	-	-
Reserved for debt service	-	-	13,168	-
Reserved for budget stabilization	136,538	-	-	-
Designated for textbooks and instructional materials	564	-	-	-
Designated for capital improvements	230	-	-	-
Unreserved-undesignated	<u>285,439</u>	<u>53,952</u>	<u>-</u>	<u>(1,847,058)</u>
Total equity and other credits	<u>702,341</u>	<u>64,515</u>	<u>13,168</u>	<u>7,238,965</u>
Total liabilities, equity and other credits	<u>\$4,177,819</u>	<u>\$97,128</u>	<u>\$770,953</u>	<u>\$10,532,080</u>
See accompanying notes to the general-purpose financial statements.				

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$146,354	\$114,195	\$ -	\$ -	\$11,703,784
-	-	-	-	3,960,370
-	-	-	-	19,386
-	-	-	-	6,664
-	-	-	-	11,787
-	-	-	-	136,538
70,621	-	8,721,819	-	8,792,440
-	-	-	13,168	13,168
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,564,568</u>	<u>10,564,568</u>
<u>\$216,975</u>	<u>\$114,195</u>	<u>\$8,721,819</u>	<u>\$10,577,736</u>	<u>\$35,208,705</u>
\$ 225	\$ 10,655	\$ -	\$ -	\$ 491,535
45,317	-	-	-	838,931
-	40,717	-	-	40,717
945	-	-	83,164	97,701
-	-	-	-	53,000
-	-	-	494,572	494,572
-	-	-	10,000,000	10,000,000
-	-	-	-	2,770,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,448,130</u>
<u>46,487</u>	<u>51,372</u>	<u>-</u>	<u>10,577,736</u>	<u>18,234,586</u>
-	-	8,721,819	-	8,721,819
170,488	-	-	-	170,488
-	1,243	-	-	9,098,409
-	-	-	-	11,787
-	-	-	-	6,664
-	-	-	-	260,539
-	-	-	-	13,168
-	-	-	-	136,538
-	-	-	-	564
-	-	-	-	230
<u>-</u>	<u>61,580</u>	<u>-</u>	<u>-</u>	<u>(1,446,087)</u>
<u>170,488</u>	<u>62,823</u>	<u>8,721,819</u>	<u>-</u>	<u>16,974,119</u>
<u>\$216,975</u>	<u>\$114,195</u>	<u>\$8,721,819</u>	<u>\$10,577,736</u>	<u>\$35,208,705</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, 2000

	Governmental Fund Types				Fiduciary Fund Types	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$2,989,547	\$ -	\$ 381,389	\$ -	\$ -	\$3,370,936
Intergovernmental	5,046,727	284,306	35,266	101,820	-	5,468,119
Tuition and fees	64,155	-	-	-	-	64,155
Earnings on investments	75,064	-	-	542,918	-	617,982
Extracurricular activities	-	171,632	-	-	-	171,632
Miscellaneous	<u>28,188</u>	<u>11,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,554</u>
Total revenues	<u>8,203,681</u>	<u>467,304</u>	<u>416,655</u>	<u>644,738</u>	<u>-</u>	<u>9,732,378</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,151,727	116,528	-	30,425	170	4,298,850
Special	447,778	93,809	-	-	-	541,587
Other	1,400	10,000	-	-	9,714	21,114
Support services:						
Pupils	424,062	1,850	-	-	-	425,912
Instructional staff	408,543	77,047	-	-	-	485,590
Board of education	22,645	-	-	-	-	22,645
Administration	772,570	1,370	-	-	-	773,940
Fiscal	229,124	-	-	-	-	229,124
Business	149,290	-	-	-	-	149,290
Operation and maintenance of plant	809,027	5,951	-	102,561	-	917,539
Pupil transportation	537,034	-	-	-	-	537,034
Central	135,689	294	-	-	-	135,983
Extracurricular activities	164,352	174,829	-	-	11,526	350,707
Capital outlay	-	-	-	3,253,607	-	3,253,607
Debt service:						
Interest and fiscal charges	-	-	550,410	53,000	-	603,410
Principal retirement	<u>-</u>	<u>-</u>	<u>10,065,442</u>	<u>-</u>	<u>-</u>	<u>10,065,442</u>
Total expenditures	<u>8,253,241</u>	<u>481,678</u>	<u>10,615,852</u>	<u>3,439,593</u>	<u>21,410</u>	<u>22,811,774</u>
Excess of revenues over (under) expenditures	<u>(49,560)</u>	<u>(14,374)</u>	<u>(10,199,197)</u>	<u>(2,794,855)</u>	<u>(21,410)</u>	<u>(13,079,396)</u>
Other Financing Sources (uses):						
Refund of prior year expenditures	634	793	-	-	-	1,427
Proceeds from sale of notes	-	-	-	10,000,000	-	10,000,000
Proceeds from sale of bonds	-	-	10,000,000	-	-	10,000,000
Operating transfers-in	31,602	11,775	204,264	146,480	-	394,121
Operating transfers-out	<u>(130,980)</u>	<u>(42,877)</u>	<u>-</u>	<u>(220,264)</u>	<u>-</u>	<u>(394,121)</u>
Total other financing sources (uses)	<u>(98,744)</u>	<u>(30,309)</u>	<u>10,204,264</u>	<u>9,926,216</u>	<u>-</u>	<u>20,001,427</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(148,304)</u>	<u>(44,683)</u>	<u>5,067</u>	<u>7,131,361</u>	<u>(21,410)</u>	<u>6,922,031</u>
Fund balances, beginning of year	<u>850,645</u>	<u>109,198</u>	<u>8,101</u>	<u>107,604</u>	<u>84,233</u>	<u>1,159,781</u>
Fund balances, end of year	<u>\$ 702,341</u>	<u>\$ 64,515</u>	<u>\$ 13,168</u>	<u>\$ 7,238,965</u>	<u>\$ 62,823</u>	<u>\$ 8,081,812</u>

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, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,286,718	\$2,995,337	\$ (291,381)	\$ -	\$ -	\$ -
Intergovernmental	5,061,932	5,046,727	(15,205)	296,272	296,272	-
Tuition and fees	64,155	64,155	-	-	-	-
Earnings on investments	75,064	75,064	-	-	-	-
Extracurricular activities	-	-	-	171,632	171,632	-
Miscellaneous	<u>28,188</u>	<u>28,188</u>	<u>-</u>	<u>11,366</u>	<u>11,366</u>	<u>-</u>
Total revenues	<u>8,516,057</u>	<u>8,209,471</u>	<u>(306,586)</u>	<u>479,270</u>	<u>479,270</u>	<u>-</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,200,000	4,084,211	115,789	121,859	116,528	5,331
Special	453,284	437,054	16,230	100,000	93,846	6,154
Other	1,400	1,400	-	10,000	10,000	-
Support services:						
Pupils	450,952	415,049	35,903	1,850	1,850	-
Instructional staff	448,205	405,533	42,672	78,000	77,092	908
Board of education	36,517	23,405	13,112	-	-	-
Administration	750,000	749,464	536	4,070	1,370	2,700
Fiscal	224,000	223,403	597	-	-	-
Business	150,000	149,510	490	-	-	-
Operation and maintenance of plant	941,180	794,099	147,081	10,000	5,951	4,049
Pupil transportation	530,000	529,723	277	-	-	-
Central	146,189	135,689	10,500	300	294	6
Extracurricular activities	207,662	163,424	44,238	200,000	182,469	17,531
Capital outlay	-	-	-	-	-	-
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,539,389</u>	<u>8,111,964</u>	<u>427,425</u>	<u>526,079</u>	<u>489,400</u>	<u>36,679</u>
Excess of revenues over (under) expenditures	<u>(23,332)</u>	<u>97,507</u>	<u>120,839</u>	<u>(46,809)</u>	<u>(10,130)</u>	<u>36,679</u>
Other Financing Sources (uses):						
Refund of prior year expenditures	634	634	-	793	793	-
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from sale of notes	-	-	-	-	-	-
Operating transfers in	31,602	31,602	-	11,775	11,775	-
Operating transfers out	<u>(130,980)</u>	<u>(130,980)</u>	<u>-</u>	<u>(42,877)</u>	<u>(42,877)</u>	<u>-</u>
Total other financing sources (uses)	<u>(98,744)</u>	<u>(98,744)</u>	<u>-</u>	<u>(30,309)</u>	<u>(30,309)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(122,076)</u>	<u>(1,237)</u>	<u>120,839</u>	<u>(77,118)</u>	<u>(40,439)</u>	<u>36,679</u>
Fund balances, beginning of year	783,708	785,516	1,808	90,996	90,996	-
Prior year encumbrances appropriated	<u>171,924</u>	<u>171,924</u>	<u>-</u>	<u>16,622</u>	<u>16,622</u>	<u>-</u>
Fund balances, end of year	<u>\$833,556</u>	<u>\$956,203</u>	<u>\$122,647</u>	<u>\$30,500</u>	<u>\$67,179</u>	<u>\$36,679</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>
\$ 381,389	\$ 381,389	\$ -	\$ -	\$ -	\$ -	\$ 3,668,107	\$3,376,726	\$(291,381)
35,266	35,266	-	88,767	101,820	13,053	5,482,237	5,480,085	(2,152)
-	-	-	-	-	-	64,155	64,155	-
-	-	-	542,918	542,918	-	617,982	617,982	-
-	-	-	-	-	-	171,632	171,632	-
-	-	-	-	-	-	39,554	39,554	-
<u>416,655</u>	<u>416,655</u>	<u>-</u>	<u>631,685</u>	<u>644,738</u>	<u>13,053</u>	<u>10,043,667</u>	<u>9,750,134</u>	<u>(293,533)</u>
-	-	-	30,425	30,425	-	4,352,284	4,231,164	121,120
-	-	-	-	-	-	553,284	530,900	22,384
-	-	-	-	-	-	11,400	11,400	-
-	-	-	-	-	-	452,802	416,899	35,903
-	-	-	-	-	-	526,205	482,625	43,580
-	-	-	-	-	-	36,517	23,405	13,112
-	-	-	-	-	-	754,070	750,834	3,236
-	-	-	-	-	-	224,000	223,403	597
-	-	-	-	-	-	150,000	149,510	490
-	-	-	102,561	102,561	-	1,053,741	902,611	151,130
-	-	-	-	-	-	530,000	529,723	277
-	-	-	-	-	-	146,489	135,983	10,506
-	-	-	-	-	-	407,662	345,893	61,769
-	-	-	11,765,421	11,869,515	(104,094)	11,765,421	11,869,515	(104,094)
10,065,442	10,065,442	-	-	-	-	10,065,442	10,065,442	-
555,730	550,410	5,320	-	-	-	555,730	550,410	5,320
<u>10,621,172</u>	<u>10,615,852</u>	<u>5,320</u>	<u>11,898,407</u>	<u>12,002,501</u>	<u>(104,094)</u>	<u>31,585,047</u>	<u>31,219,717</u>	<u>365,330</u>
<u>(10,204,517)</u>	<u>(10,199,197)</u>	<u>5,320</u>	<u>(11,266,722)</u>	<u>(11,357,763)</u>	<u>(91,041)</u>	<u>(21,541,380)</u>	<u>(21,469,583)</u>	<u>71,797</u>
-	-	-	-	-	-	1,427	1,427	-
10,000,000	10,000,000	-	-	-	-	10,000,000	10,000,000	-
-	-	-	12,770,000	12,770,000	-	12,770,000	12,770,000	-
204,264	204,264	-	146,480	146,480	-	394,121	394,121	-
-	-	-	(220,264)	(220,264)	-	(394,121)	(394,121)	-
<u>10,204,264</u>	<u>10,204,264</u>	<u>-</u>	<u>12,696,216</u>	<u>12,696,216</u>	<u>-</u>	<u>22,771,427</u>	<u>22,771,427</u>	<u>-</u>
(253)	5,067	5,320	1,429,494	1,338,453	(91,041)	1,230,047	1,301,844	71,797
8,101	8,101	-	42,248	42,248	-	925,053	926,861	1,808
-	-	-	65,356	65,356	-	253,902	253,902	-
<u>\$ 7,848</u>	<u>\$ 13,168</u>	<u>\$ 5,320</u>	<u>\$ 1,537,098</u>	<u>\$ 1,446,057</u>	<u>\$ (91,041)</u>	<u>\$ 2,409,002</u>	<u>\$ 2,482,607</u>	<u>\$ 73,605</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, 2000

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Sales	\$350,100
Other operating revenues	<u>46,708</u>
Total operating revenue	<u>396,808</u>
Operating expenses:	
Salaries	202,232
Fringe benefits	55,165
Purchased services	9,445
Materials and supplies	176,659
Depreciation	<u>11,513</u>
Total operating expenses	<u>455,014</u>
Operating loss	<u>(58,206)</u>
Non-Operating revenues:	
Earnings on investments	1,936
Operating grants	<u>89,971</u>
Total non-operating revenues	<u>91,907</u>
Net loss	33,701
Retained earnings, beginning of year	<u>136,787</u>
Retained earnings, end of year	<u>\$170,488</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>
Cash flows from operating activities:	<u>Enterprise</u>
Cash received from customers	396,808
Cash payments to suppliers for goods and services	(185,879)
Cash payments to employees for services	(184,858)
Cash payments for employee benefits	<u>(55,069)</u>
Net cash used for operating activities	<u>(28,998)</u>
Cash flows from noncapital financing activities:	
Operating grants received	102,280
Earnings on investments	<u>1,936</u>
Net cash provided from noncapital financing activities	<u>104,216</u>
Cash flows from capital and related financing activities:	
Payments for capital acquisitions	<u>(11,547)</u>
Net cash used for capital and related financing activities	<u>(11,547)</u>
Net increase in cash and cash equivalents	63,671
Cash and cash equivalents at beginning of year	<u>82,683</u>
Cash and cash equivalents at end of year	<u><u>\$146,354</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (58,206)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	11,513
Changes in assets and liabilities:	
Increase in accrued wages	17,374
Increase in accounts payable	225
Increase in compensated absences payable	<u>96</u>
Net cash used for operating activities	<u><u>\$(28,998)</u></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, 2000

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, 2000 and uncollected by the county auditor are not intended to finance fiscal 2000 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 the fiscal year ended June 30, 2000.

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:

	Increase (decrease)
General Fund	\$270,147
Special Revenue	(14,101)
Debt Service	(143,067)
Capital Projects	8,573,586

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 M 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 2000, 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, 2000.

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 2000 amounted to \$75,064.

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 a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established 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, 2000.

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 indicates 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, and the budget stabilization reserve. Fund balances have also been designated for textbook and instructional materials and capital improvements. 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 - COMPLIANCE AND ACCOUNTABILITY

The High School Construction Fund had expenditures in excess of appropriations in the amount of \$194,068. The excess of expenditures were funded from available fund balances.

NOTE D - 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).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for any 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 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 \$(26,775) and the bank balance was \$149,145 (including payroll clearing accounts with a book balance of \$0 and a bank balance of \$42,536). Of the bank balance, \$100,000 was covered by federal depository insurance, and \$49,145 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>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Securities	\$ 8,628,684	\$ 8,628,684
Commercial Paper	1,756,213	1,756,213
 <u>Uncategorized Investments</u>		
Fountain Square U.S. Treasury Obligations Fund	<u>1,482,200</u>	<u>1,482,200</u>
 Total	 <u>\$11,867,097</u>	 <u>\$11,867,097</u>

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 E - PROPERTY TAXES

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

Real Property	
Residential/agricultural	\$96,474,920
Commercial/industrial	8,223,740
Public utilities	65,380
 Tangible Personal Property	
General	3,676,464
Public utilities	<u>5,941,790</u>
 Total Valuation	 <u>\$114,382,294</u>

In 2000 real property taxes were levied in January on the assessed values as of January 1, 1999, 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 2000, 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 2000, if paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least ½ amount billed) was due January 20 with the remainder due on July 20.

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, 2000. Unremitted property taxes collected by the County as of June 30, 2000, 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 F - RECEIVABLES

Receivables at June 30, 2000 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	\$2,950,884
	Income taxes	251,701
Special Revenue Fund	Intergovernmental	19,386
Debt Service Fund	Property taxes	757,785

NOTE G - 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, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2000</u>
Land and improvements	\$ 251,257	\$ -	\$ -	\$ 251,257
Buildings	2,320,466	84,170	-	2,404,636
Furniture, fixtures and equipment	1,833,871	137,874	(41,541)	1,930,204
Vehicles	791,511	186,424	(95,820)	882,115
Construction-In-Progress	<u>-</u>	<u>3,253,607</u>	<u>-</u>	<u>3,253,607</u>
Totals	<u>\$5,197,105</u>	<u>\$3,662,075</u>	<u>\$(137,361)</u>	<u>\$8,721,819</u>

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

Furniture and equipment	\$168,652
Less accumulated depreciation	<u>(98,031)</u>
Net fixed assets - Proprietary Fund	<u>\$ 70,621</u>

NOTE H - DEBT

Bond Anticipation Notes Payable

On February 3, 2000, the District issued bond anticipation notes in the amount of \$2,770,000 for the purpose of construction, improvements, renovations, and additions to school facilities. The interest rate on the notes is 4.60 percent and matures on February 1, 2001.

General Long-Term Debt Account Group

During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long Term Obligations Account Group.

	<u>July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2000</u>
Compensated Absence:				
Vacation	\$ 9,733	\$ -	\$ (2,208)	\$ 7,525
Sick leave	<u>72,913</u>	<u>2,726</u>	<u>-</u>	<u>75,639</u>
Total compensated absences	<u>82,646</u>	<u>2,726</u>	<u>(2,208)</u>	<u>83,164</u>
General Obligation Debt:				
Installment payment agreement	560,014	-	(65,442)	494,572
Bond anticipation notes-Series 99	-	10,000,000	(10,000,000)	-
General obligation bonds	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>
Total general obligation debt	<u>560,014</u>	<u>20,000,000</u>	<u>(10,065,442)</u>	<u>10,494,572</u>
Total	<u>\$642,660</u>	<u>\$20,002,726</u>	<u>\$(10,067,650)</u>	<u>\$10,577,736</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 loan for the next five years and thereafter, including interest, is scheduled as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2001	\$ 97,212
2002	97,212
2003	97,212
2004	97,212
2005	97,212
Thereafter	<u>105,293</u>
Total	<u>\$591,353</u>

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 was 3.85 percent which were retired in October 1999.

On October 1, 1999, the District issued \$10,000,000 in general obligation bonds to retire the notes. The bonds mature through 2026 and carry an interest rate between 4.25 and 9.65 percent. Proceeds from the debt are used for the construction, improvements, renovations and additions to school

facilities. Amortization for the bonds for the next five years and thereafter, including interest, is scheduled as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2001	\$ 634,789
2002	566,248
2003	600,610
2004	599,005
2005	600,815
Thereafter	<u>19,226,056</u>
	<u><u>\$22,221,523</u></u>

NOTE I - 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, 1999	\$ -	\$ -	\$ 136,283	\$136,283
Current year set-aside requirement	189,609	189,609	207,525	586,743
Qualifying disbursements	<u>(189,609)</u>	<u>189,609)</u>	<u>(207,270)</u>	<u>(586,488)</u>
Set aside cash balance as of June 30, 2000	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$136,538</u></u>	<u><u>\$136,538</u></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 \$412,817 and \$456,005 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 Designated as of June 30, 2000	<u>\$ 564</u>	<u>\$ 230</u>	<u>\$ 794</u>

The District also designated 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 J - 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, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$350,100	\$46,708	\$396,808
Operating expenses	<u>412,171</u>	<u>42,843</u>	<u>455,014</u>
Operating income (loss)	(62,071)	3,865	(58,206)
Earnings on investments	1,936	-	1,936
Operating grants	<u>89,971</u>	<u>-</u>	<u>89,971</u>
Net income (loss)	<u>\$ 29,836</u>	<u>\$ 3,865</u>	<u>\$ 33,701</u>
Net working capital	<u>\$ 58,885</u>	<u>\$40,982</u>	<u>\$ 99,867</u>
Total assets	<u>\$175,993</u>	<u>\$40,982</u>	<u>\$216,975</u>
Total liability	<u>\$ 46,487</u>	<u>\$ -</u>	<u>\$ 46,487</u>
Total equity	<u>\$129,506</u>	<u>\$40,982</u>	<u>\$170,488</u>

NOTE K- 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, 2000, 1999, and 1998 were \$208,062, \$211,614, and \$195,984 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, 2000, 1999, and 1998 were \$580,284, \$563,892, and \$554,592 respectively, equal to the required contributions for each year.

NOTE L - 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's 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. For fiscal year 1999, this allocation was increased to 8 percent. For the School District, this amount equaled \$351,823 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserved Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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's contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.60 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$188.3 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$131,280 during the 2000 fiscal year.

NOTE M - 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. Proceeds from the sale of notes are recorded as a source of funds (budget basis) rather than as a liability (GAAP basis).
4. 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	\$(148,304)	\$(44,683)	\$5,067	\$7,131,361
Adjustments:				
Revenue Accruals	5,790	11,966	-	-
Expenditure Accruals	141,857	2,841	-	523,115
Proceeds from notes	-	-	-	2,770,000
Encumbrances	<u>(580)</u>	<u>(10,563)</u>	<u>-</u>	<u>(9,086,023)</u>
Budget basis	<u>\$(1,237)</u>	<u>\$(40,439)</u>	<u>\$5,067</u>	<u>\$1,338,453</u>

NOTE N - 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 O - JOINTLY GOVERNED ORGANIZATION

The Southwest Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic

equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortium 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. During the 2000 fiscal year the School District paid \$18,593 to SWOCA for services. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

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 State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,680,068 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 reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

As of the date of 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.

SUPPLEMENTAL INFORMATION

MADISON LOCAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2000

<u>Grantor Agency/Program Title</u>	<u>Pass-Through Entity No.</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$37,147	\$ -	\$36,882
School Breakfast Program	05-PU-99/00	10.553	10,087	-	10,087	-
National School Lunch Program	03/04-PU-99/00	10.555	<u>87,324</u>	-	<u>87,324</u>	-
Total Nutrition Cluster			<u>97,411</u>	<u>37,147</u>	<u>97,411</u>	<u>36,882</u>
Total U.S. Department of Agriculture			<u>97,411</u>	<u>37,147</u>	<u>97,411</u>	<u>36,882</u>
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	6B-SF-99/00	84.027	59,609	-	66,690	-
Special Education - Preschool Grant	PG-SI-99/00	84.173	<u>1,370</u>	-	<u>1,370</u>	-
Total Special Education Cluster			<u>60,979</u>	-	<u>68,060</u>	-
Title I Grants to Local Educational Agencies	E1-SI-99/00	84.010	92,176	-	80,204	-
Safe and Drug Free Schools and Communities - State Grants	DR-SI-00	84.186	6,431	-	6,431	-
Goals 2000 - State and Local Education Systemic Improvement Grants	G2-SI-00	84.276	24,619	-	23,629	-
Eisenhower Professional Development State Grants	N/A	84.281	6,424	-	6,424	-
Innovative Education Program Strategies	C2-SI-99/00	84.298	966	-	966	-
Total - U.S. Department of Education			<u>130,616</u>	-	<u>117,654</u>	-
Total Federal Financial Assistance			<u>\$289,006</u>	<u>\$37,147</u>	<u>\$283,125</u>	<u>\$36,882</u>

MADISON LOCAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of Madison Local School District's Federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION PROGRAM

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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, 2000, and have issued our report thereon dated October 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

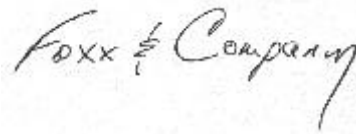
Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non compliance that we have reported to management of the District in a separate letter dated October 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 a material weakness.

This report is intended solely for the information and use of management, the Ohio Auditor of State 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 cursive script that reads "Fox & Company". The signature is written in dark ink on a light-colored background.

Cincinnati, Ohio
October 20, 2000



Foxx & Company
Certified Public Accountants

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

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

Compliance

We have audited the compliance of the Madison Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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.

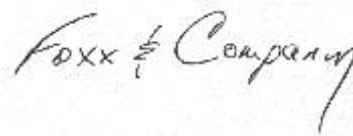
In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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 financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information and use of management, the Ohio Auditor of State 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 cursive script that reads "Fox & Company". The signature is written in dark ink on a light-colored background.

Cincinnati, Ohio
October 20, 2000

MADISON LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2000

1. Summary of Auditors' Results

Type of financial statement opinion	Unqualified
Where there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any other reported noncompliance at the financial statement level (GAGAS)?	No
Was there any material internal control weakness conditions reported for major federal programs?	No
Where there any other reported internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' compliance opinion	Unqualified
Are there any reportable findings under § .510?	No
Major programs	Child Nutrition Cluster CFDA # 10.550, 10.553, 10.555 Title I Grants to Local Educational Agencies CFDA # 84.010
Dollar threshold for Type A/B programs	Type A: Over \$300,000 Type B: All others
Low risk auditee?	No

**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

MADISON LOCAL SCHOOL DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2000

There were no prior audit findings or questioned costs relative to Federal awards for the audit of the Madison Local School District for the year ended June 30, 1999.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2001**