



**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Madison Local School District
Lake County
6741 North Ridge Road
Madison, Ohio 44057

To the Board of Education:

We have audited the accompanying financial statements of the Madison Local School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the District, as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts, and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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 financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Audit Committee, management, and the Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 9, 2000

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF CASH, INVESTMENTS, AND
FUND CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30, 2000**

Cash and Investments	\$3,657,942
Cash and Investments - Restricted	421,452
Total	<u>4,079,394</u>

Government Fund Type:

General Fund	\$1,691,156
Special Revenue Funds	674,528
Debt Service	600,001
Capital Projects Funds	803,562

Proprietary Fund Type:

Enterprise Funds	227,941
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Fiduciary Fund Type:

Expendable Trust	23,594
Agency Funds	58,612
Total	<u>4,079,394</u>

The notes to the financial statements are an integral part of this statement.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts						
Local Sources:						
Taxes	\$7,825,032		\$894,618	\$152,909		\$8,872,559
Tuition	723,848					723,848
Transportation Fees	140,634					140,634
Earnings on Investments	233,843			2,608	\$780	237,231
Extracurricular Activities		\$251,465			175	251,640
Miscellaneous	102,885	61,475			29,077	193,437
State Sources:						
Unrestricted Grants-In-Aid	11,207,112	75,000	109,637	18,368		11,410,117
Restricted Grants-In-Aid	97,471	295,575		147,436		540,482
Federal Sources						
Restricted Grants-In-Aid		1,325,850				1,325,850
Total Cash Receipts	<u>20,330,825</u>	<u>2,009,365</u>	<u>1,004,255</u>	<u>321,321</u>	<u>30,032</u>	<u>23,695,798</u>
Cash Disbursements						
Instruction:						
Regular	10,090,115	194,790		80,686	2,385	10,367,976
Special	1,626,967	235,966				1,862,933
Vocational Education	165,319					165,319
Adult/Continuing	1,259	59,504				60,763
Other	368,890	51,288				420,178
Support Services:						
Pupils	958,274	153,140			20,070	1,131,484
Instructional Staff	312,631	705,854				1,018,485
Board of Education	171,251					171,251
Administration	1,503,178	244,384				1,747,562
Fiscal	386,836					386,836
Business	554,139					554,139
Operation and Maintenance - Plant	1,763,687	7,000		42,868		1,813,555
Pupil Transportation	1,366,782	245		175,766		1,542,793
Central Services	200,796	17,554		1,024		219,374
Non-instructional Services:						
Community Service		4,721			874	5,595
Extracurricular Activities:						
Academic and Subject Oriented	34,898	92,554				127,452
Sports Oriented	280,489	146,858				427,347
Co-curricular Activities	38,023	13,149			282	51,454
Building Improvement:						
Architecture and Engineering				4,602		4,602
Repayment of Debt			1,378,172			1,378,172
Total Cash Disbursements	<u>19,823,534</u>	<u>1,927,007</u>	<u>1,378,172</u>	<u>304,946</u>	<u>23,611</u>	<u>23,457,270</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	507,291	82,358	(373,917)	16,375	6,421	238,528
Other Financing Sources (Uses):						
Proceeds From Sale of Notes			210,000			210,000
Transfers - In	226,478		214,910	7,165		448,553
Advances - In	311,156	106,629				417,785
Refund of Prior Year's Expenditures	12,521					12,521
Transfers - Out	(402,553)					(402,553)
Advances - Out	(106,629)	(311,156)				(417,785)
Refund of Prior Year's Receipts		(450)			(459)	(909)
Total Other Financing Sources (Uses)	<u>40,973</u>	<u>(204,977)</u>	<u>424,910</u>	<u>7,165</u>	<u>(459)</u>	<u>267,612</u>
Excess of Cash Receipts and Other Financing Sources over/(under) Cash Disbursements and Other Financing Uses	548,264	(122,619)	50,993	23,540	5,962	506,140
Beginning Fund Balance - July 1, 1999	<u>1,142,892</u>	<u>797,147</u>	<u>549,008</u>	<u>780,022</u>	<u>17,632</u>	<u>3,286,701</u>
Ending Fund Balance - June 30, 2000	<u>\$1,691,156</u>	<u>\$674,528</u>	<u>\$600,001</u>	<u>\$803,562</u>	<u>\$23,594</u>	<u>\$3,792,841</u>
Reserve for Encumbrances	<u>\$39,764</u>	<u>\$35,132</u>	<u>\$0</u>	<u>\$79,235</u>	<u>\$23,594</u>	<u>\$177,725</u>
Reserve for Budget Stabilization (Note 11)	<u>\$421,452</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$421,452</u>

The notes to the financial statements are an integral part of this statement.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - THE PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Receipts:			
Tuition	\$179,210		\$179,210
Food Service	468,220		468,220
Classroom Materials and Fees	78,142		78,142
Extracurricular Activities	197	\$122,429	122,626
Miscellaneous		1	1
Total Operating Receipts	<u>725,769</u>	<u>122,430</u>	<u>848,199</u>
Operating Disbursements:			
Salaries and Wages	418,279		418,279
Retirement and Insurance	146,603		146,603
Purchased Services	11,571		11,571
Supplies and Materials	350,691	66,758	417,449
Capital Outlay	3,759		3,759
Other Objects	3,466	43,698	47,164
Total Operating Disbursements	<u>934,369</u>	<u>110,456</u>	<u>1,044,825</u>
Excess of Operating Disbursements Over Operating Receipts	(208,600)	11,974	(196,626)
Non-operating Receipts:			
Earnings on Investments	3,408		3,408
Miscellaneous	1,426		1,426
Restricted Grants in Aid	10,786		10,786
Unrestricted Grants in Aid	223,259		223,259
Total Non-operating Receipts	<u>238,879</u>	<u>0</u>	<u>238,879</u>
Excess of Disbursements Over Receipts	30,279	11,974	42,253
Transfers:			
Transfer-In	24,000		24,000
Transfer-Out	(70,000)		(70,000)
Total Transfers	<u>(46,000)</u>	<u>0</u>	<u>(46,000)</u>
Beginning Fund Balance - July 1, 1999	<u>243,662</u>	<u>46,638</u>	<u>290,300</u>
Ending Fund Balance - June 30, 2000	<u>\$227,941</u>	<u>\$58,612</u>	<u>\$286,553</u>
Reserve for Encumbrances	<u>\$5,934</u>	<u>\$7,069</u>	<u>\$13,003</u>

The notes to the financial statements are an integral part of this statement.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Government Fund Type:			
General Fund	\$20,727,236	\$20,880,980	\$153,744
Special Revenue Funds	2,151,517	2,115,994	(35,523)
Debt Service Fund	1,429,165	1,429,165	0
Capital Projects Funds	386,652	328,486	(58,166)
Proprietary Fund Type:			
Enterprise Funds	981,006	988,648	7,642
Fiduciary Fund Type:			
Expendable Trust Fund	30,000	30,032	32
Agency Funds	123,437	122,430	(1,007)
Total	<u><u>\$25,829,013</u></u>	<u><u>\$25,895,735</u></u>	<u><u>\$66,722</u></u>

The notes to the financial statements are an integral part of this statement.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2000**

	Prior Year Carryover Appropriations	2000 Appropriations	Total	Actual 2000 Disbursements	Encumbrances Outstanding at 6/30/00	Total	Variance Favorable (Unfavorable)
Governmental Fund Type:							
General Fund	\$77,236	\$21,571,963	\$21,649,199	\$20,332,716	\$39,764	\$20,372,480	\$1,276,719
Special Revenue Funds	37,039	2,369,420	2,406,459	2,238,613	35,132	2,273,745	132,714
Debt Service Fund	0	1,463,001	1,463,001	1,378,172	0	1,378,172	84,829
Capital Projects Funds	58,274	515,135	573,409	304,946	79,235	384,181	189,228
Proprietary Fund Type:							
Enterprise Funds	5,806	1,082,663	1,088,469	1,004,369	5,934	1,010,303	78,166
Fiduciary Fund Type:							
Trust Funds	0	34,587	34,587	24,070	0	24,070	10,517
Agency Funds	1,037	153,471	154,508	110,456	7,069	117,525	36,983
Total	\$179,392	\$27,190,240	\$27,369,632	\$25,393,342	\$167,134	\$25,560,476	\$1,809,156

The notes to the financial statements are an integral part of this statement.

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**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of The Entity

The Madison Local School District, Lake County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Madison Local School District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a five member elected Board of Education and is responsible for providing public education to the residents of the District. The District operates 5 instructional facilities, providing educational services to 3,578 students from grades K through 12.

The District is the primary government and constitutes the entire reporting entity. The MacKenzie Memorial Public Library, located in the District, is a related organization to the District and is not reported on by the District. The District is associated with five jointly governed organizations. These organizations are the East Shore Regional Transportation System, East Shore Center, Lake County Council of Governments Health Care Benefits Program, the Auburn Career Center and the Ohio Schools Council. These organizations are described in more detail in Note 10 to the financial statements. The District's debt service funds for the defeased debt are maintained by an outside custodian which are not included in these financial statements. Assets held by custodians are described in Note 3 to the financial statements.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments in Federal Home Loan Bank, Federal National Mortgage Association, and Federal Farm Credit Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than from trust or for capital projects) that are legally restricted to expenditures for specified purposes.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

5. Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods and services will be recovered through user charges.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the District to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the District is acting in an agency capacity are classified as agency funds.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. The District has elected to budget and present agency funds.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1. The County Budget Commission must also approve estimated resources.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

H. Total Columns on Financial Statements

The total columns on the financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. CASH AND CASH EQUIVALENTS

The District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments of cash.

A. Legal Requirements

Ohio Revised Code requires the classification of monies held by the District into three categories.

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

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

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. CASH AND CASH EQUIVALENTS (Continued)

A. Legal Requirements (Continued)

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State of Ohio Treasurer's investment pool (STAROhio); and
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. CASH AND CASH EQUIVALENTS (Continued)

A. Legal Requirements (Continued)

The fund balances are expressed in terms of Cash and Cash Equivalents. Cash equivalents are available for immediate expenditure, or are liquid investments which are immediately marketable, have negligible credit risk, and mature within three months.

The cash and investments total is composed of:

Bank Deposits	\$16,580
Federal Home Loan Bank	1,093,295
Federal National Mortgage Association	1,793,147
U.S. Treasury Note	4,913
STAR Ohio	1,171,459
Total	<u><u>\$4,079,394</u></u>

B. Deposits

At year-end, the carrying amount of the District's deposits was \$16,580 and the bank balance was \$396,389. The bank balance was covered by federal depository insurance or by collateral held by a qualified third party trustee in single institution collateral pools securing all public funds on deposit with specific depository institutions.

C. Investments

Investments with original maturities of less than three months are reported as cash equivalents on the statement of cash, investments, and fund cash balances. Accounting standards require investments to be categorized into three categories of credit risk:

Category 1: Securities held by the District or its agent in the District's name.

Category 2: Securities held by the counter party's trust department or agent in the District's name.

Category 3: Securities held by the counter party, or by its trust department or agent but not in the District's name.

The \$1,093,294 investment in the Federal Home Loan Bank has a market value of \$1,082,635 and is categorized as category 3. The \$1,793,147 investment in the Federal National Mortgage Association has a market value of \$1,772,487 and is categorized as category 3. The \$4,913 investment in U.S. Treasury Notes has a market value of \$4,913 and is categorized as category 3. The \$1,171,459 investment in STAR Ohio approximates market value and cannot be categorized for credit risk because no securities exist in the name of the District, either in physical or book entry form.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. DEBT OBLIGATIONS

Changes in debt obligations during the fiscal year are as follows:

	<u>Balance at June 30, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2000</u>
<u>Ohio Energy Conservation Notes:</u>				
<u>Issued</u>	<u>Due</u>	<u>Interest</u>		
3/12/93	3/15/99	5.68%	\$78,932	\$0
7/24/98	7/23/99	3.95%	170,000	0
2/19/99	2/18/00	3.70%	160,000	0
7/23/99	7/21/00	3.91%	0	110,000
2/18/00	2/17/01	4.75%	<u>0</u>	<u>100,000</u>
			<u>\$408,932</u>	<u>\$210,000</u>
Total Conservation Notes			<u>\$408,932</u>	<u>\$210,000</u>
<u>Building Bonds:</u>				
<u>Issued</u>	<u>Due</u>	<u>Interest</u>		
* 1/15/93	12/01/15	5.86%	\$1,114,629	\$0
* 6/01/99	12/01/15	3.1-4.55%	6,394,997	0
* 2/01/98	12/01/18	5.31%	995,000	0
* 1/26/99	12/01/18	4.64%	<u>1,255,000</u>	<u>45,000</u>
			<u>\$9,759,626</u>	<u>\$0</u>
Total Building Bonds			<u>\$9,759,626</u>	<u>\$9,214,626</u>

The above issues with an (*) are considered long-term debt. Principal and interest requirements to retire long-term debt obligations at June 30, 2000 are as follows:

For the Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$315,401	\$592,229	\$907,630
2002	306,720	604,812	911,532
2003	292,508	612,427	904,935
2004	520,567	378,870	899,437
2005	549,433	357,490	906,923
2006-2010	2,149,997	2,380,292	4,530,289
2011-2015	3,730,000	766,841	4,496,841
2016-2019	<u>1,350,000</u>	<u>83,477</u>	<u>1,433,477</u>
Total	<u>\$9,214,626</u>	<u>\$ 5,776,438</u>	<u>\$ 14,991,064</u>

On June 1, 1999, the District issued \$6,394,997 in general obligation bonds with interest rates of 3.1% to 4.55%. Proceeds were used to refund \$6,395,000 of the outstanding 1993 Athletic Complex Building Addition Bonds. As of June 30, 2000, \$6,395,000 of outstanding refunded Athletic Complex Building Addition Bonds are considered defeased by asset of \$6,730,773 held in an irrevocable trust.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. PROPERTY TAX

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised value. All real property is required to be revalued every six years.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended June 30, 2000 was \$57.28 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$27.74 per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$30.09 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback reductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Tangible personal property owners are required to file a list of such property including costs, by April 30 of each year. Taxes collected in one calendar year are levied in the prior calendar year on assessed value during and at the close of the most recent fiscal year of the taxpayer ended on or before March 31 of that calendar year and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2000 was \$57.28 per \$1,000 of assessed value.

Public utility real and tangible personal property tax collected in one calendar year is levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The assessed values upon which the 2000 tax collections for real property were \$217,496,000, for public utility personal property were \$15,567,440, and for tangible personal property were \$9,986,041.

The Lake County and Geauga County Treasurers collect property tax on behalf of all taxing districts within their respective Counties. The Lake County and Geauga County Auditors periodically remit to the taxing districts their portions of the taxes collected.

5. LAKE COUNTY SCHOOL FINANCING DISTRICT

The Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. LAKE COUNTY SCHOOL FINANCING DISTRICT (Continued)

The Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts (including Perry Local School District) each of such Member District's proportionate share of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being Member District's total pupil population and the denominator being the aggregate pupil population of all Member Districts as of that date.

6. RETIREMENT SYSTEMS

A. State Teachers Retirement System of Ohio

State Teachers Retirement System of Ohio (STRS) is a state operated, cost sharing, multiple employer public employee retirement system. Full-time certified teachers of the District belong to STRS. Teachers who are retained on personal service contracts do not participate. STRS provides retirement benefits to vested employees who are eligible to retire based upon years of service. STRS also provides survivor and disability benefits to vested employees.

Employees contribute 9.30 percent of gross salary. The employer matching share is 14 percent of gross salary with 6 percent allocated to pensions and 8 percent allocated to postemployment benefits. The District's required contributions for pension obligations to STRS for the year ended June 30, 2000 was \$1,628,743 which consisted of \$990,020 from employees and \$638,723 from the employer.

B. School Employees Retirement System of Ohio

School Employees Retirement System of Ohio (SERS) is a state operated, cost-sharing, multiple employer public employee retirement system. Full time, permanent, non-certified employees of the District belong to SERS. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Employees contribute 9 percent of gross salary. The employer matching share is 14 percent of gross salary with 5.5 percent allocated to pension benefits and 8.5 percent allocated to post employment benefits. The District's required contributions for pension obligations to SERS for the year ended June 30, 2000 was \$440,729 which consisted of \$273,556 from employees and \$167,173 from the employer.

7. POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System of Ohio

State Teachers Retirement System of Ohio (STRS) provides comprehensive health care benefits to eligible retirees and their dependents. Eligibility requirements, benefit provisions, and obligations to contribute are established by the system based upon authority granted by state statute.

The portion of STRS employer contribution allocated to health care benefits as of June 30, 2000 was 8 percent of covered payroll. The District's total contribution for health care benefits in fiscal year 2000 was \$851,630.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. POST EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System of Ohio

School Employees Retirement System of Ohio (SERS) provides comprehensive health care benefits to eligible retirees and their dependents. Eligibility requirements, benefit provisions, and obligations to contribute are established by the system based upon authority granted by state statute.

The portion of SERS employer contribution allocated to health care benefits as of June 30, 2000 was 8.5 percent of covered payroll. In addition, a surcharge for health care contributions was added to the employer's contribution for fiscal year 2000 for employees paid less than \$12,400. The District's total contribution for health care benefits including the surcharge for fiscal year 2000 was \$258,358.

8. 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 continues to carry commercial insurance for these types of risk. Real property and contents are fully insured.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District provides health care benefits to the employees through the Lake County Council of Governments Health Care Benefits Program as detailed in Note 10E.

9. 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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$10,548,233 of school foundation support for its general fund.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. STATE SCHOOL FUNDING DECISION (Continued)

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

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

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

10. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Schools Council

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the members districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$145,223 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Cedar Road, Bedford, Ohio 44146.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self appointed board, issued \$119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the school district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

A. Ohio Schools Council (Continued)

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

B. Auburn Career Center

The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven school districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

C. East Shore Regional Transportation System

The East Shore Regional Transportation System (ESRTS) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen (16) member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal distress which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

D. East Shore Center

The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen (16) member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. East Shore Center is not accumulating significant financial resources or experiencing fiscal distress which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Mentor Board of Education, 6451 Center Street, Mentor, Ohio 44060.

E. Health Care Benefits Program

The District participates in the Lake County Council of Governments Health Care Benefits Program (HCBP), which is a cooperative program for the provision of health care benefits that is currently functioning as a self-insurance claims servicing pool. The pool is comprised of eleven member schools districts. Each member pays an administrative fee to the pool. The HCBP business and affairs are conducted by a five member Board of Directors elected from the HCBP's assembly. Each participating member retains a share of the overall risk as determined by the claims servicing agent. Financial information can be obtained by writing the fiscal agent, Mentor Board of Education, 6451 Center Street, Mentor, Ohio 44060.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. SET ASIDE REQUIREMENTS

The School 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 material and an equal amount for construction of capital improvements. Amounts not spent by year-end or offset by similar restricted resources must be held in cash at year-end and carried forward to be used for the same purpose in future years. The School District is also required to set aside money for budget stabilization.

The following information describes the changes in the fiscal year end set aside amounts for textbooks, capital acquisition and budget stabilization. Disclosure of information is required by the state statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$264,974	
Current Year Workers Comp. Refund	462,566	462,566	154,189	
Current Year Set-aside Requirement	0	0	2,289	
Current Year Offsets	0	171,277	0	
Qualifying Disbursements	541,235	981,924	0	
Total	<u>(\$78,669)</u>	<u>(\$690,635)</u>	<u>\$421,452</u>	
Total Restricted Cash				\$421,452
				<u>2</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set aside amount below zero. The textbook extra amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for the three set asides at the end of the fiscal year was \$421,452.

12. CONTINGENT LIABILITIES

The District is defendant in one lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

Schedule of Federal Awards Expenditures

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$57,795	\$0	\$58,726
National School Lunch Program	03-PU 99	10.555	11,988		11,988	
	03-PU 00	10.555	39,286		39,286	
	04-PU 99	10.555	38,254		38,254	
	04-PU 00	10.555	133,732		133,732	
Total U. S. Department of Agriculture - Nutrition Cluster			223,260	57,795	223,260	58,726
U. S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Preschool Disabilities	PG-S1-99	84.173	17,493		17,390	
Preschool Disabilities	PG-SC-98	84.173	11,870		11,870	
Title VI-B FY98	6B-SF-98	84.027	29,751		1,526	
Title VI-B FY99	6B-SF-99	84.027	156,327		152,565	
Total Special Education Cluster			215,441	0	183,351	0
Grants to Local Educational Agencies:						
Adult Basic Education	AB-SI-98	84.002	0		1,845	
Adult Basic Education	AB-SI-99C	84.002	22,996		18,081	
Total Adult Basic Education			22,996	0	19,926	0
Title I						
Title I	C1-S1-99	84.010	72,393		25,461	
Title I	C1-S1-00	84.010	221,186		189,313	
Total Title I			293,579	0	214,774	0
Drug Free Schools Grant						
Drug Free Schools Grant	DR-S1-99	84.186	3,534		3,534	
Drug Free Schools Grant	DR-S1-00	84.186	36,341		27,601	
Total Drug Free Schools Grant			39,875	0	31,135	0
Even Start Grant						
Even Start Grant	EV-S1-00	84.213	32,934		24,958	
Even Start Grant	EV-S3-98	84.213	(450)		11,296	
Even Start Grant	EV-S4-99	84.213	85,384		71,799	
Total Even Start Grant			117,868	0	108,053	0
Goals 2000						
Goals 2000	GS-S2-98	84.276	30,000		61,541	
Goals 2000	GS-S2-99	84.276	60,000		83,808	
Goals 2000	GS-S3-00	84.276	26,000		22,355	
Total Goals 2000			116,000	0	167,704	0
Eisenhower						
Eisenhower	MS-S1-99	84.281	0		2,860	
Eisenhower	MS-S1-00	84.281	13,386		13,272	
Total Eisenhower Grant			13,386	0	16,132	0
Title VI						
Title VI	C2-S1-99	84.298	2,292		0	
Title VI	C2-S1-00	84.298	17,553		2,000	
Total Title VI			19,845	0	2,000	0
Raising The Bar						
Raising The Bar	TF-31-99	84.318	0		150,000	
Raising The Bar	TF-32-99	84.318	100,000		99,103	
Raising The Bar	TF-33-99	84.318	62,500		59,170	
Raising The Bar	TF-34-99	84.318	62,500		0	
Total Raising the Bar (Technology Literacy Challenge Grant)			225,000	0	308,273	0
School Reform						
School Reform	RF-S1-99	84.332	75,000		109,085	
School Reform	RF-S1-99	84.332	67,500		45,171	
School Reform	RF-S1-00	84.332	62,500		0	
Total School Reform			205,000	0	154,256	0
Class Size Reduction						
Class Size Reduction	CR-S1-00	84.340	56,410		56,410	
Total Class Size Reduction			56,410	0	56,410	0
Total U.S. Department of Education			1,325,400	0	1,262,014	0
Total Federal Assistance			1,548,660	57,795	1,485,274	58,726

The accompanying notes are an integral part of the schedule of federal awards.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Districts federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

CFDA - Catalog of Federal Domestic Assistance



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Madison Local School District
Lake County
6741 North Ridge Road
Madison, Ohio 44057

To the Board of Education:

We have audited the financial statements of the Madison Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 9, 2000, in which we noted the District utilized a basis of accounting formerly prescribed or permitted by the Auditor of State. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10843-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 9, 2000.

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

Jim Petro
Auditor of State

November 9, 2000

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

Madison Local School District
Lake County
6741 North Ridge Road
Madison, Ohio 44057

To the Board of Education:

Compliance

We have audited the compliance of the Madison Local School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal 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 compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

November 9, 2000

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Raising the Bar (Technology Literacy Challenge Fund Grants) CFDA #84.318; and Title I, CFDA #84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

Finding Number 2000-10843-001	
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Ohio Administrative Code Section 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its annual financial report on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MADISON LOCAL SCHOOL DISTRICT

LAKE 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
DECEMBER 19, 2000**