

**MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of Madison Local School District, Richland County, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. 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.

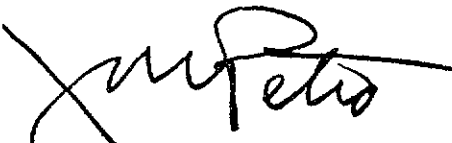
Ohio Admin. Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, can not 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, 1999, 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 30, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Federal Awards Receipts and 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 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 RETRO
Auditor of State

November 30, 1999

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30, 1999**

Cash, Cash Equivalents and Investments	<u>\$2,618,901</u>
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BALANCES BY FUND TYPE

Governmental Fund Types:	
General Fund	\$1,001,164
Special Revenue Funds	476,399
Debt Service Fund	0
Capital Projects Funds	169,353
Proprietary Fund Types:	
Enterprise Funds	103,921
Internal Service Funds	802,806
Fiduciary Funds:	
Trust and Agency Funds	<u>65,258</u>
Total	<u>\$2,618,901</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
RECEIPTS		
Local Sources:		
Taxes	\$11,636,166	
Tuition	788,290	
Transportation	8,139	
Investment Earnings	139,107	\$8,760
Extracurricular Activities		121,624
Classroom Materials and Fees	9,918	5,947
Miscellaneous	77,233	155,574
Total Local Sources	12,658,853	291,905
Intermediate Sources:		
Unrestricted Grants-In-Aid	4,000	
Revenue in Lieu of Taxes	9,521	
Total Intermediate Sources	13,521	
State Sources:		
Unrestricted Grants-In-Aid	10,844,032	3,000
Restricted Grants-In-Aid	82,706	558,397
Revenue on Behalf of the School District	23,542	
Total State Sources	10,950,280	561,397
Federal Sources:		
Restricted Grants-In-Aid		1,090,242
Total Receipts	23,622,654	1,943,544

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
\$516,987			\$12,153,153
			788,290
			8,139
			147,867
			121,624
			15,865
		\$31,318	264,125
516,987		31,318	13,499,063
			4,000
			9,521
			13,521
268,132	\$357,741		11,115,164
			998,844
			23,542
268,132	357,741		12,137,550
			1,090,242
785,119	357,741	31,318	26,740,376

(continued)

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
DISBURSEMENTS		
Instruction:		
Regular	9,100,520	264,349
Special	2,001,790	572,612
Vocational Education	2,387,797	50,499
Adult/Continuing		46,781
Other	<u>229,072</u>	
Total Instruction	13,719,179	934,241
Support Services:		
Pupils	743,316	69,927
Instructional Staff	1,095,752	234,820
Board of Education	44,086	
School Administration	1,526,994	83,908
Fiscal	410,301	1,700
Business	63,181	9,220
Operations and Maintenance	2,363,388	32,750
Student Transportation	1,532,591	16,459
Support Services - Central	<u>21,601</u>	<u>37,780</u>
Total Support Services	7,801,210	486,564
Operation of Non-Instructional Services		
Community Services		314,570
Extracurricular Activities:		
Academic and Subject Oriented	12,371	1,063
Occupation Oriented	7,504	
Sports Oriented	396,380	140,133
Co-Curricular Activities	<u>20,143</u>	<u>2,034</u>
Total Extracurricular Activities	436,398	143,230

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
		23,639	9,388,508
			2,574,402
			2,438,296
			46,781
			229,072
		23,639	14,677,059
		202	813,445
	308,655	3,864	1,643,091
			44,086
			1,610,902
			412,001
			72,401
			2,396,138
			1,549,050
			59,381
	308,655	4,066	8,600,495
			314,570
			13,434
			7,504
		313	536,826
			22,177
		313	579,941

(continued)

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
DISBURSEMENTS (Continued)		
Facilities Acquisition and Construction Services:		
Architecture and Engineering	5,807	
Building Improvement	335,592	
Total Facilities Acquisition and Construction Services	341,399	
Debt Service:		
Repayment of Debt		
Total Disbursements	<u>22,298,186</u>	<u>1,878,605</u>
Excess of Receipts Over (Under) Disbursements	1,324,468	64,939
Other Financing Sources (Uses):		
Sale of Assets	105	
Transfers-In		
Advances-In	55,557	66,908
Refund Prior Year Expenditures	11,267	564
Transfers-Out	(773,919)	
Advances-Out	(234,015)	(21,835)
Refund of Prior Year Receipts		(17,729)
Other		
Total Other Financing Sources (Uses)	<u>(941,005)</u>	<u>27,908</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	383,463	92,847
Fund Cash Balances, July 1, 1998	<u>617,701</u>	<u>383,552</u>
Fund Cash Balances, June 30, 1999	<u>\$1,001,164</u>	<u>\$476,399</u>

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
			5,807
	600		336,192
	600		341,999
1,534,038			1,534,038
1,534,038	309,255	28,018	26,048,102
(748,919)	48,486	3,300	692,274
748,919			105
			748,919
			122,465
			11,831
			(773,919)
			(255,850)
			(17,729)
		(1,049)	(1,049)
748,919		(1,049)	(165,227)
0	48,486	2,251	527,047
0	120,867	30,632	1,152,752
<u>\$0</u>	<u>\$169,353</u>	<u>\$32,883</u>	<u>\$1,679,799</u>

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING RECEIPTS:		
Tuition	\$258,505	
Investment Earnings		
Food Service	668,247	
Charges for Services	579,509	\$2,394,264
Extracurricular Activities		
Classroom Material and Fees	120,557	
	1,626,818	2,394,264
Total Operating Receipts		
OPERATING DISBURSEMENTS:		
Personal Services-Salaries	1,061,319	
Employees' Retirement and Insurance	439,886	799
Purchased Services	47,260	2,435,709
Supplies and Materials	760,836	70
Capital Outlay	6,620	
Capital Outlay-Replacement	13,869	
Other Objects	3,658	
	2,333,448	2,436,578
Total Operating Disbursements		
Excess of Operating Receipts Over (Under) Operating Disbursements	(706,630)	(42,314)
NONOPERATING RECEIPTS:		
Investment Earnings		28,139
Miscellaneous	2,827	4,436
Intermediate Sources		
On Behalf of the District	9,012	
State Sources		
Unrestricted Grants-In-Aid	191,716	
Restricted Grants-In-Aid	16,849	
Federal Sources		
Unrestricted Grants-In-Aid	261,652	
Restricted Grants-In-Aid		
Refund of Prior Year Expenditures	1,479	4,604
	483,535	37,179
Total Nonoperating Receipts		
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers/Advances	(223,095)	(5,135)
Operating Transfers-In	25,000	
Advances-In	167,107	
Advances-Out	(33,722)	
	(64,710)	(5,135)
Net Receipts Over (Under) Disbursements		
Fund Cash Balances, July 1, 1998	168,631	807,941
	\$103,921	\$802,806
Fund Cash Balances, June 30, 1999		

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

Fiduciary Fund Types		Total
Non-Expendable Trust	Agency	(Memorandum Only)
		\$258,505
\$85		85
		668,247
	\$79,537	2,973,773
		79,537
		120,557
85	79,537	4,100,704
		1,061,319
		440,685
	62,074	2,545,043
		760,906
		6,820
		13,869
	85,954	89,612
	148,028	4,918,054
85	(68,491)	(817,350)
		28,139
		7,263
		9,012
		191,716
		16,849
		261,652
	62,074	62,074
		6,083
	62,074	582,788
85	(6,417)	(234,562)
		25,000
		167,107
		(33,722)
85	(6,417)	(76,177)
1,581	37,126	1,015,279
\$1,666	\$30,709	\$939,102

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$23,415,000	\$23,634,026	\$219,026
Special Revenue Funds	1,869,000	1,944,108	75,108
Debt Service Fund	1,536,701	1,534,038	(2,663)
Capital Projects Funds	357,741	357,741	
Proprietary Fund Types:			
Enterprise Funds	2,275,000	2,135,352	(139,648)
Internal Service Funds	2,020,000	2,431,444	411,444
Fiduciary Funds:			
Trust Funds	45,000	31,403	(13,597)
Total (Memorandum Only)	<u>\$31,518,442</u>	<u>\$32,068,112</u>	<u>\$549,670</u>

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

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>1999 Appropriations</u>	<u>Total</u>
Governmental Fund Types:			
General Fund	\$351,188	\$23,289,957	\$23,641,145
Special Revenue Funds	121,524	2,273,865	2,395,389
Debt Service Fund		1,535,583	1,535,583
Capital Projects Funds	38,567	439,992	478,559
Proprietary Fund Types:			
Enterprise Funds	33,503	2,374,769	2,408,272
Internal Service Funds		2,439,655	2,439,655
Fiduciary Funds:			
Trust Funds	19,341	56,110	75,451
Total (Memorandum Only)	<u>\$564,123</u>	<u>\$32,409,931</u>	<u>\$32,974,054</u>

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

<u>Actual 1999 Disbursements</u>	<u>Encumbrances Outstanding At 6-30-99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$23,072,105	\$385,874	\$23,457,979	\$183,166
1,896,334	281,411	2,177,745	217,644
1,534,038		1,534,038	1,545
309,255	50,384	359,639	118,920
2,333,448	32,943	2,366,391	41,881
2,436,578	1,369	2,437,947	1,708
29,067	10,806	39,873	35,578
<u>\$31,610,825</u>	<u>\$762,787</u>	<u>\$32,373,612</u>	<u>\$600,442</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

1. Summary of Significant Accounting Policies

A. Description of the Entity

Madison Local School District ("the District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education, and is responsible for providing public education to residents of the District.

Average daily membership as of October 1, 1998 was 3,639. The District employed 314 certificated employees and 153 non-certificated employees at that date.

Management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Admin. 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 they are 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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

At June 30, 1999, the District had a restricted cash balance of \$155,703 in the budget stabilization reserve. The District also had qualifying expenditures which exceeded the required set-aside for textbooks and capital acquisition.

D. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

Governmental Fund Types

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Governmental Fund Types (continued)

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

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund may also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary 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 and Trust Funds).

Proprietary Fund Types

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

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other government units, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable and Nonexpendable Trust Funds and Agency Funds.

E. Budgetary Process

Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official Certificate of Estimated Resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown in the accompanying financial statements do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for proprietary fund types are recorded as expenditures (capital outlays). Depreciation is not recorded for these fixed assets.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. Summary of Significant Accounting Policies (continued)

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "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. Pooled Cash and Investments

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance 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;

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. Pooled Cash and Investments (Continued)

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

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

Deposits At year-end, the carrying amount of the District's deposits was \$1,173,220 and the bank balance was \$1,545,255. Of the bank balance:

1. \$117,863 was covered by federal depository insurance, by collateral held by the District or by collateral held by a qualified third party trustee in the name of the District;
2. \$1,427,392 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

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

	Category 3	Carrying Value
Repurchase Agreement	\$1,445,681	\$1,445,681

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. Debt Obligations

Debt outstanding at June 30, 1999 consisted of the following:

	<u>Principal Outstanding</u>	<u>Interest Rates</u>
Tax Anticipation Notes	\$ 920,000	4.85%
Energy Conservation Notes	645,000	5.05-6.70%
Asbestos Abatement Notes	<u>126,494</u>	0%
 Total	 <u>\$1,691,494</u>	

Amortization of the above debt, including interest of \$122,769, is scheduled as follows:

<u>Year Ending June 30</u>	<u>Tax Anticipation Notes</u>	<u>Energy Conservation Notes</u>	<u>Asbestos Abatement Notes</u>	<u>Total</u>
2000	\$483,708	\$213,905	\$21,500	\$719,113
2001	481,397	209,050	21,500	711,947
2002		148,422	21,500	169,922
2003		151,287	21,500	172,787
2004			21,500	21,500
2005-2006	<u> </u>	<u> </u>	<u>18,994</u>	<u>18,994</u>
Total	<u>\$965,105</u>	<u>\$722,664</u>	<u>\$126,494</u>	<u>\$1,814,263</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. Noncompliance

Contrary to Ohio Rev. Code Section 5705.39, the District had certain Special Revenue funds in which total appropriations exceeded the total estimated resources.

Contrary to Ohio Rev. Code Section 135.14(N)(1), the District does not have a written investment policy on file with the Auditor of State, as approved by the Treasurer or Board of Education.

5. Property Tax

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1996.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 tax year 1997 was \$60.04 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$39.96 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$44.45 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax year 1998 was \$60.40 per \$1,000 of assessed valuation.

The Richland County Treasurer collects property tax on behalf of all taxing districts within the county. The Richland County Auditor periodically remits to the taxing districts their portions of the taxes collected.

6. Insurance

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. Defined Benefit Pension Plans

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system 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 for STRS. 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 to fund pension obligations was 12 percent. Contribution rates are established by the STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$2,471,098, \$2,423,400, and \$2,488,556, respectively, equal to the required contributions for each year.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$576,585, \$532,721, and \$543,670, respectively, equal to the required contributions for each year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-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 obligation to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1998, the Board allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. For the fiscal year ended June 30, 1999, this allocation was increased to eight percent of covered payroll. For the District, this amount equaled \$197,688 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS statewide were \$258,906,000 and STRS had 91,999 eligible benefit recipients statewide.

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care statewide at June 30, 1998, the latest information available, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 statewide participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$28,714 during the 1999 fiscal year.

9. Employee Self Insurance Fund

The District provides employees with a major medical, hospitalization, vision, dental, life insurance and prescription drug employee benefit health plan. This plan is financed through a self insurance fund, maintained by Bank One, which collectively invests and maintains this fund. A private insurance company administers the plan and provides stop loss protection for claims over \$75,000 per individual per year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. 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 the School District. During the fiscal year ended June 30, 1999, the School District received \$9,629,789 of school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year 1997, the School District had borrowed \$500,000 under this program; the final payment of this note was paid in fiscal year 1999.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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 that they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of November 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of 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 its financial operations.

11. Financial Condition

The District was placed under fiscal watch by the State Auditor's Office in April 1997. In October 1998, the District submitted a revised five year financial recovery plan along with a request to be released from fiscal watch.

12. Year 2000 Issue

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

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System [EMIS]). The District has seven school buildings with power systems which have extensive efficiency utilization measures within the systems.

The District uses the Mansfield City School District's mainframe computer system for its financial reporting and for its payroll and employee benefits. Mansfield City School District is responsible for remediating these systems and is solely responsible for any costs associated with this project.

Richland County collects property taxes for distribution to the District. Richland County is responsible for remediating its tax collection system.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. Year 2000 Issue (Continued)

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through the state's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

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

13. Subsequent Event

On October 27, 1999, the District's Board of Education approved a resolution to issue Energy Conservation Notes in the amount of \$1,438,697. This energy conservation work is a result of the House Bill 264 Program Overflow, and will be used to update Mechanical and Control Work (including Y2K upgrade of the District's Building Management System), Unit Ventilator Control & Steam Trap Renovations, and District Wide Lighting Upgrade.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
Direct Program						
Pell Grant	84.063	N/A	\$62,074		\$62,074	
Passed Through the Ohio Department of Education						
Title I Grants to Local Educational Agencies	84.010	C1-S1-98 C1-S1-98 C C1-S1-99	94,993 78,582 347,674		108,868 78,582 324,648	
Total Title 1			521,249		512,098	
Special Education Cluster: Grants to States	84.027	6B-SF-97 6B-SF-98	16,124 170,964		27,505 154,191	
Total Grants to States			187,088		181,696	
Pre-School Grants	84.173	PG-S1-98	18,759		18,759	
Total Special Education Cluster			205,847		200,455	
Vocational Basic Grants	84.048	20-A4-97 20-A4-98 20-A4-99 20-C1-98 20-C1-99 20-C2-98 20-C2-99	1,667 4,116 39,633 7,761 47,521 5,291 30,506		1,667 733 46,531 7,815 53,963 5,289 35,424	
Total Vocation Basic Grants			136,495		151,422	
Safe and Drug Free Schools and Community State Grants	84.186	DR-S1-97 DR-S1-98 DR-S1-99	17,893		2,451 6,847 15,842	
Total Safe and Drug Free Schools			17,893		25,140	
Innovative Education Programs	84.298	C2-S1-97C C2-S1-98 C2-S1-98C C2-S1-99	(70) 16,609		12,636 1,981 2,604 66	
Total Innovative Education Programs			16,539		17,287	
Goals 2000 - State and Local Education Systemic Improvement	84.276	G2-S1-97 G2-S1-98 G2-S1-99	(13,500) 48,900 40,000		33,303 2,881	
Total Goals 2000			75,400		36,184	
Telecommunications Act Grant	84.xxx	N/A	10,428		8,584	
Total U.S. Department of Education			1,045,925		1,013,244	

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
Passed Through the Ohio Department of Education						
Child Nutrition Cluster: Commodity Distribution	10.550	N/A		77,047		73,514
National School Breakfast Program	10.553	N/A	21,746		21,746	
National School Lunch Program	10.555	N/A	233,502		233,502	
Child Care Food Program	10.558	N/A	6,404		6,404	
Total U.S. Department of Agriculture - Child Nutrition Cluster			261,652	77,047	261,652	73,514
<u>U.S. Department of Labor</u>						
Passed Through the Ohio Department of Education						
Employment Services and Job Training Pilot and Demonstration Programs	17.249	WK-BE-98 WK-BE-98	51,882 60,388	0 0	54,620 64,537	0 0
Total School To Work			112,270	0	119,157	0
Total U.S. Department of Labor			112,270	0	119,157	0
<u>U.S. Department of Health and Human Services</u>						
Passed Through the Ohio Department of Education						
Dependent Care Plan	93.673	DC-S1 99	14,640		11,540	
Total U.S. Department of Health and Human Services			14,640		11,540	
Total Federal Assistance			<u>\$1,434,487</u>	<u>\$77,047</u>	<u>\$1,405,593</u>	<u>\$73,514</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

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, 1999 the District had no significant food commodities in inventory.



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of Madison Local School District, Richland County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 30, 1999, in which we noted the District follows 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-10570-001 through 1999-10570-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 30, 1999.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-10570-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 1999.

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



JIM PETRO
Auditor of State

November 30, 1999



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

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

To the Board of Education:

Compliance

We have audited the compliance of Madison Local School District, Richland County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.


Internal Control Over Compliance

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

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.

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 30, 1999.

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


JIM PETRO
Auditor of State

November 30, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster, CFDA #10.550, 10.553, 10.555 and 10.558 Vocational Education, CFDA #84.048
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999
(Continued)**

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

Finding # 1999-10570-001

Ohio Admin. Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepares its financial statements on the basis of accounting formerly prescribed and permitted by the Auditor of State, which is a basis of accounting other than GAAP. The 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 legal administrative remedies may be taken against the District.

The District should prepare its annual financial report in accordance with GAAP.

Finding # 1999-10570-002

Ohio Rev. Code Section 5705.39, states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. Also, no appropriation shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

At June 30, 1999, the District had the following Special Revenue Funds in which appropriations exceeded the total estimated resources:

Fund	Appropriations	Estimated Resources	Variance
Auxiliary Fund	\$426,525	\$376,731	(\$49,794)
Public Preschool Fund	98,853	72,748	(26,105)
Textbook Subsidy Grant Fund	49,767	0	(49,767)
Career Education Fund	63,296	20,000	(43,296)
Title VI-B Grant Fund	204,053	181,381	(22,672)

Overall, total appropriations for Special Revenue Funds were \$2,273,865 and total estimated resources were \$2,145,316.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

JUNE 30, 1999
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding # 1999-10570-003

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

The District did not have a written investment policy and still invested monies in repurchase agreements throughout the year. Throughout fiscal year 1999, roughly 67% of the District's funds continuously were invested in repurchase agreements. We recommend that the District adopt a written investment policy and file same with the Auditor of State.

Finding # 1999-10570-004

Posting of Appropriations and Amended Appropriations

The annual appropriation measure and amendments are properly approved by the Board of Education; however, the changes made to these appropriations are not timely posted to the District's budgetary ledgers within the computer system throughout the fiscal year. This could lead to errors and noncompliance which may go undetected, and perhaps lead to overspending.

The Treasurer should compile a listing of individual funds and amounts; whereby, appropriations will be amended at the legal level of control, and once approved by the Board of Education, these changes should be made to update the District's budgetary ledgers.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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N/A



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MADISON LOCAL SCHOOL DISTRICT, RICHLAND COUNTY

CLERK'S CERTIFICATION

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

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

JAN 13 2000