



**Auditor of State
Betty Montgomery**

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Madison Plains Local School District, Madison County, Ohio, (the "District"), as of and for the fiscal year ended June 30, 2003. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-02-03 (b) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to file annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes 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 combined fund cash balances of the District as of June 30, 2003, 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 2.

As discussed in Note 3, during the year-ended June 30, 2003, the District changed its method of accounting for financial reporting which resulted in the restatement of beginning fund balances.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005 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.

The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information 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, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 7, 2005

**MADISON-PLAINS SCHOOL DISTRICT
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
From local sources:				
Taxes	\$4,001,421	\$0	\$319,697	\$4,321,118
Tuition	2,729	0	0	2,729
Earnings on investments	19,027	0	0	19,027
Extracurricular Activities	0	123,781	0	123,781
Classroom Materials & Fees	58,961	0	0	58,961
Other local revenues	9,945	40,092	5,175	55,212
Intergovernmental - State	6,062,350	153,145	113,926	6,329,421
Intergovernmental - Federal	0	336,902	0	336,902
Total Cash Receipts	10,154,433	653,920	438,798	11,247,151
Cash Disbursements:				
Current:				
Instruction:				
Regular	5,176,220	68,052	30,299	5,274,571
Special	662,372	201,923	803	865,098
Vocational	304,948	0	0	304,948
Adult / Continuing Instruction	2,088	0	0	2,088
Other	13,005	0	0	13,005
Support services:				
Pupil	494,986	26,689	2,772	524,447
Instructional staff	464,019	102,957	2,127	569,103
Board of Education	45,394	0	0	45,394
Administration	927,740	64,121	490	992,351
Fiscal	312,523	0	5,018	317,541
Support Services - Business	164	0	0	164
Operations and maintenance	854,410	3,515	129,169	987,094
Pupil transportation	881,029	0	139,273	1,020,302
Central	188,296	43,308	93,269	324,873
Operation of Non-Instructional Services:				
Food Services Operations	0	0	7,862	7,862
Community Services	0	58,089	0	58,089
Extracurricular activities				
Academic & Subject Oriented	101,100	49,644	0	150,744
Sports Oriented	188,745	80,557	0	269,302
Co-Cirricular Activities	17,680	0	0	17,680
Facilities services:				
Site Improvement	0	0	4,610	4,610
Architecture & Engineering	0	0	2,550	2,550
Educ. Spec. Development	0	0	12,441	12,441
Building Acq. & Construction	0	0	101,770	101,770
Building Improvement	0	0	16,567	16,567
Total Cash Disbursements	10,634,719	698,855	549,020	11,882,594
Cash Receipts (Under) Cash Disbursements	(480,286)	(44,935)	(110,222)	(635,443)
Other Financing Sources (Uses):				
Operating Transfers In	0	11,000	0	11,000
Advances In	28,021	11,008	0	39,029
Operating Transfers Out	(11,000)	0	0	(11,000)
Advances Out	(32,317)	(13,712)	0	(46,029)
Sale and Loss of Assets	7,136	0	100,891	108,027
Refund of Prior Year Receipts	(72)	(1,180)	0	(1,252)
Total Other Financing Sources (Uses)	(8,232)	7,116	100,891	99,775
Excess of Receipts and Other Financing Sources (Under) Disbursements and Other Uses	(488,518)	(37,819)	(9,331)	(535,668)
Fund Cash Balances, July 1 (Restated Note 3)	617,101	187,598	269,027	1,073,726
Fund Cash Balances, June 30	\$128,583	\$149,779	\$259,696	\$538,058
Reserve for Textbooks, June 30	\$87,576	\$0	\$0	\$87,576
Reserve for Encumbrances, June 30	\$44,371	\$51,765	\$88,529	\$184,665

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

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Fiduciary Funds	Total (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Tuition and fees	\$18,410	\$0	\$0	\$18,410
Food Services	360,431	0	0	360,431
Extracurricular Activities	0	0	199,586	199,586
Classroom Materials & Fees	12,794	0	0	12,794
Other operating revenues		1,301,501	0	1,301,501
Total Operating Cash Receipts	391,635	1,301,501	199,586	1,892,722
Operating Cash Disbursements:				
Personal services	177,888	0	0	177,888
Employee Retirement and Insurance	96,293	0		
Purchased services	5,739	1,283,897	79,187	1,368,823
Materials and supplies	201,341	0	79,185	280,526
Capital Outlay	207	0		
Other Expenses	0	0	37,745	37,745
Total Operating Cash Disbursements	481,468	1,283,897	196,117	1,961,482
Operating Income (Loss)	(89,833)	17,604	3,469	(68,760)
Nonoperating Cash Receipts:				
Grants	96,757	0	0	96,757
Miscellaneous			2,600	2,600
Total Nonoperating Cash Receipts	96,757	0	2,600	99,357
Net Income Before Advances	6,924	17,604	6,069	30,597
Advances in	20,730	0	580	21,310
Advances out	(14,309)	0	0	(14,309)
Net income	13,345	17,604	6,649	37,598
Fund Cash Balances at July 1 (Restated Note 3)	8,661	222,643	46,950	278,254
Fund Cash Balances at June 30	\$ 22,006	\$ 240,247	\$ 53,599	\$ 315,852

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

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$10,189,590	\$10,189,590	\$0
Special Revenue Funds	671,328	675,928	4,600
Capital Project Funds	544,288	539,689	(4,599)
Proprietary:			
Enterprise Funds	509,122	509,122	0
Internal Service	1,301,501	1,301,501	0
Total (Memorandum Only)	<u>\$13,215,829</u>	<u>\$13,215,830</u>	<u>\$1</u>

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

**MADISONS-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding At June 30, 2003	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General Fund	\$132,603	\$10,697,597	\$10,830,200	\$10,678,108	\$44,371	\$10,722,479	\$107,721
Special Revenue Funds	32,033	768,881	800,914	713,747	51,765	765,512	35,402
Capital Project Funds	167,326	316,561	483,887	549,020	88,529	637,549	(153,662)
Proprietary:							
Enterprise Funds	1,958	501,738	503,696	495,777	0	495,777	7,919
Internal Service	0	1,197,860	1,197,860	1,283,897	0	1,283,897	(86,037)
Total (Memorandum Only)	<u>\$333,920</u>	<u>\$13,482,637</u>	<u>\$13,816,557</u>	<u>\$13,720,549</u>	<u>\$184,665</u>	<u>\$13,905,214</u>	<u>(\$88,657)</u>

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

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT

A. Reporting Entity:

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

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

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

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

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

Average daily membership (ADM) as of October 1, 2002 was 1,668. The District employs 119 certified employees and 77 non-certificated employees. The District is supervised by the Madison County Educational Service Center, a separate entity.

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

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-1-11 to prepare its annual financial report in accordance with generally accepted accounting principles, the District prepared its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principals. 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, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

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

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

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

2. Proprietary Fund Type:

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

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

Internal Service Funds - The 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 governmental units, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include agency funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

3. Appropriations:

An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures, including encumbrances, may not exceed appropriations in any fund at the fund level.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including enterprise funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

Fixed assets acquired or constructed are recorded as expenditures. Depreciation is not recorded for these fixed assets

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstance, 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.

G. Interfund Transactions

Quasi-external transactions are accounted for as receipts and disbursements. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed.

All other interfund transfers are reported as operating transfers.

H. Parochial Schools

Madison/Clark Christian Academy resides within the District boundaries. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a Special Revenue fund for financial reporting purposes.

I. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2003, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive 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. This change has the following effect on fund balance types as previously reported:

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES
(Continued)**

	Fund Balance / Retained Earnings, June 30, 2002	Accrual Adjustments	Restated Fund Balance July 1, 2002
General	\$ 910,211	\$(293,110)	\$ 617,101
Special Revenue	138,653	48,945	187,598
Capital Projects	329,805	(60,778)	269,027
Enterprise	(39,081)	30,420	8,661
Internal Service Funds	333,523	(110,880)	222,643
Agency Funds	0	46,950	46,950
Total (Memorandum Only)	\$1,673,111	\$(338,453)	\$1,351,980

4. DEPOSITS 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 or deposit accounts including passbook accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, 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 monies deposited with the institution.

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

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

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or 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 the 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; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$17,575 and the bank balance was \$112,970, which was covered by federal depository insurance.

At fiscal year end, the District had \$33,763 held by Trustee. The amount held by Trustee was held for bonds that have not been called.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal 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 which 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.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The District's investment STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified because the investment is not evidenced by securities that exist in physical or book entry form.

	Cost Value
STAR Ohio	836,335
Total Investments	\$836,335

5. PROPERTY TAXES

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

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

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

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

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

The full tax rate at the fiscal year ended June 30, 2003 for operations was \$37.95 per \$1,000 of assessed valuation and \$2.50 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 2003 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$9,129,380
Real Property-Residential/Agricultural	137,973,010
Personal Property-General	34,746,010
Total Assessed Value	\$181,848,400

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the District also maintains a \$1,000,000 umbrella liability policy.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$32,925,072.

B. Worker's Compensation-Public Entity Risk Pool

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

The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan.

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 percent of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

C. Health Self-Insurance

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This self-insurance fund was established for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

C. Health Self-Insurance (Continued)

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. A summary of changes in self-insurance claims for the year ended June 30, 2003 follows:

	FY2003	FY2002	FY2001
Claim Liabilities at June 30	\$185,387	\$153,430	\$191,727
Incurred Claims	1,286,673	1,529,445	1,075,611
Claims Paid	(1,283,897)	(1,497,488)	(1,113,908)
Claim Liabilities at June 30	\$188,163	\$185,387	\$153,430

Monies are provided from each fund based on a per-employee charge and are recorded as charges for services in the Self-Insurance Fund and as an expenditure in the disbursing fund.

Effective July 1, 2002, the District terminated its membership in the Ross County School Employees Insurance Consortium. The District anticipates a refund of approximately \$257,853 once all outstanding claims are paid.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 school district rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$230,641, \$226,080 and \$239,088 respectively; 64.3 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for 2002 and 2001.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$726,187, \$ 738,144, and \$ 830,280 respectively; 84.8 percent has been contributed for fiscal year 2003, and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions to the DC Plan for fiscal year 2003 were \$8 made by the District and \$7 made by plan members. The District had no contributions under the Combined Plan.

8. POST-EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$37,646.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay was established at \$14,500. For the District, the amount to fund health care benefits, including the surcharge, was \$15,528, for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. LEASES

Capital Leases:

The District is making installment payments on fitness equipment purchased with an original value of \$191,901. The District entered into an agreement of the National School Fitness Foundation (NSFF), in which, the District would be reimbursed for the lease payments. In May of 2004, the District was informed that the NSFF will no longer reimburse the District for the lease payments. This obligation provides for interest at rates 3.65%, with an outstanding balance of \$177,237 at June 30, 2003.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2003:

	Year Ending June 30:	
2004		67,835
2005		67,835
2006		50,877
Total Lease		186,547
Less Interest		(9,310)
Present Value of Minimum Lease Payments		177,237

Operating Leases:

During fiscal year 2002, the District entered into two, five-year operating leases for copiers. The annual payments of \$27,612 are obligations of the general fund and are included in the annual appropriation measure of the District. On June 1, 2003, the District entered into a three-year operating lease for computers. The monthly payments \$5,040 are obligations of the general fund and are included in the annual appropriation measure of the District.

10. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council -The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 Districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

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

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. STATE SCHOOL FUNDING DECISION

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

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

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

12. SET ASIDE DISCLOSURE

As stated in House Bill 412, revised in Senate Bill 345, school districts are required to maintain two reserves; one for capital acquisition and maintenance, and one for textbooks and other instructional materials. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

The following cash basis information describes the change in the year-end set-aside amounts. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Total
Set-aside Cash Balance as of June 30, 2002	\$ 23,470	\$ 0	\$ 23,470
Current Year Set-aside Requirement	240,600	240,600	481,200
Current Year Offsets			
Qualifying Disbursements	(176,494)	(277,779)	(454,273)
Cash Balance Carried forward to FY 2004	<u>\$ 87,576</u>	<u>\$ (37,179)</u>	<u>\$ 50,397</u>
Total Restricted Assets	87,576		

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

13. CAPITAL PROJECTS FUND LOSS OF ASSETS

In 2001, the District suffered a fire in a modular building. The District received a portion of the insurance settlement during the 2002 fiscal year an additional \$100,891 was received during the 2003 fiscal year and is recorded on the financial statements as Sale and Loss of Assets in the Capital Projects Fund.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

There are currently no matters in litigation with the District as defendant.

15. SUBSEQUENT EVENTS

In June 2003, the District approved a \$1.5 million Tax Anticipation Note and a HB 264 note for \$319,989. On July 14, 2003 the District received the proceeds for the HB 264 note and in July 15, 2003 the District received the proceeds for the Tax Anticipation Note.

In June , 2004, the District paid the principal and interest on the Tax Anticipation Note. In July, 2004, the District approved another \$1.5 million Tax Anticipation Note. This note is due June 30, 2005.

In June 2003 the Madison-Clark Christian Academy moved out of the District's boundaries and now resides within the London City School District.

Also in June 2004, as part of the District's plan of action to address a projected fund deficit, the District closed Fairfield Elementary and cut several teaching positions.

In September, 2004 three Board of Education members were removed from their duties by a Madison County Court Judge. These board members are in the process of appealing the Judge's decision.

In November 2004, the Madison County Juvenile Court Judge appointed three new board members to serve out the remaining terms of those members that were removed.

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MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
Food Distribution Program		2003	10.550	\$ -	\$ 34,469	\$ -	\$ 34,469
School Breakfast Program	05-PU	2003	10.553	11,897	-	11,897	-
National School Lunch Program	LL-P4	2003	10.555	80,781	-	80,781	-
Total U.S. Department of Agriculture				92,678	34,469	92,678	34,469
U.S. DEPARTMENT OF EDUCATION							
<i>Passed Through Ohio Department of Education:</i>							
Special Education Grants to States (IDEA Part B)	6B-SF	2002 2003	84.027	-	-	3,585	-
				135,264	-	141,448	-
				<u>135,264</u>	<u>-</u>	<u>145,033</u>	<u>-</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	2003	84.010	122,691	-	128,274	-
Drug-Free Schools Grant	DR-S1	2002 2003	84.186	-	-	2,654	-
				4,226	-	2,406	-
Total Drug-Free Schools Grant				<u>4,226</u>	<u>-</u>	<u>5,060</u>	<u>-</u>
Eisenhower Professional Development State Grants Title II, Part B	MS-S1	2002	84.281	-	-	2,585	-
Title V - Innovative Program	C2-S1	2003	84.298	10,149	-	10,272	-
Title II D - Technology Fund	TJ-S1	2003	84.318	1,984	-	893	-
Title VI-R Class Size Reduction	CR-S1	2002	84.340	-	-	1,606	-
School Renovation Assitive Technology Infusion Project	AT-S3	2002	84.352A	865	-	2,610	-
Title II A - State Grants for Improving Teaching Quality	TR-S1	2003	84.367	52,290	-	42,670	-
Total U.S. Department of Education				327,469	-	339,003	-
Total Federal Awards				\$ 420,147	\$ 34,469	\$ 431,681	\$ 34,469

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

**MADISONS-PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the "Schedule") summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and consumed.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

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

Toe the Board of Education:

We have audited the financial statements of Madison Plains Local School District, Madison County, Ohio, (the District), as of and for the year ended June 30, 2003, wherein we noted the District changed methods of financial statement reporting from generally accepted accounting principles to the basis of accounting formerly prescribed or permitted by the Auditor of State, and have issued our report thereon dated January 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 2003-001 and 2003-003 through 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 7, 2005.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. A reportable condition is described in the accompanying schedule of findings as item 2003-002.

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www.auditor.state.oh.us

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 January 7, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 7, 2005



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of Madison Plains Local School District, Madison County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003. We noted a certain instance of noncompliance that did not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 7, 2005.

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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. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 7, 2005.

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.



Betty Montgomery
Auditor of State

January 7, 2005

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2003**

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 reported material 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 section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States - IDEA Part B CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-001
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GAAP Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38. Ohio Admin. Code 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements 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, can not be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared in accordance with generally accepted accounting principles.

Finding Number	2003-002
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Bank Reconciliations

The Treasurer was not properly reconciling the budgetary account and did not reconcile the payroll account on a monthly basis. We noted the following issues while re-performing the District's June 30, 2003 reconciliations:

- a) The Treasurer was carrying an "Adjusted too Much to Payroll" reconciling item in the amount of \$28,279. As noted above, the Treasurer did not reconcile the payroll account on a monthly basis. As such, we are uncertain how this amount was derived. We reconciled the June 30, 2003 payroll account and came up with a balance of \$19,989.
- b) The Treasurer included \$50,863 as the amount of outstanding checks in the budgetary account. However, the outstanding check list for this account totaled \$43,669. Our testing indicated that there were no additional outstanding checks.
- c) The Treasurer included Petty Cash – Change Fund items on the reconciliation. However, we determined these amounts were collected at the end of the school year and deposited back into the budgetary account. Those funds should not have been included.
- d) The Treasurer included \$10,450 worth of deposits in transit, upon testing this amount we determined that \$2,955 of this amount was actually posted to the bank statement and that there was an additional \$5,777 in deposits in transit that were not shown on the reconciliation.

Upon re-performing the June 30, 2003 reconciliation, we determined that the adjusted bank balance was \$1,083 less than the book balance. It should also be noted that the Treasurer is no longer with the District.

We recommend the District determine why there is a variance between the reconciled bank amount and the books; then adjust the books accordingly. The Treasurer should determine the proper balance of the payroll account, and then transfer the excess monies back into the budgetary account. The payroll account should be reconciled monthly by the Treasurer. We also recommend that someone other than the person performing the monthly reconciliations review them to determine adequacy of the work being performed.

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-003
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Finding for Recovery – Overpayment of Teacher

The Master Agreement between the Madison-Plains Board of Education and the Madison-Plains Association/OEA/NEA article XIV part C (1)(a) states bargaining unit members shall receive credit for years of service on the salary schedule as follows:

- a) Up to ten (10) years of teaching service as a certified/licensed teacher with each year consisting of at east one-hundred twenty (120) days under a teacher’s contract.

Jennifer Lee-Cash was employed by the District for fiscal year 2003 as a Teacher. For fiscal year 2003, she was placed on the pay schedule on the wrong step by Treasurer, Kevin Moxely.

According to Appendix F, “Madison-Plains Local School District Salary Schedule 2002-2003”, of the Master Agreement between the Madison-Plains Board of Education and the Madison-Plains Association/OEA/NEX, Ms. Lee-Cash should have been paid \$33,481 (MA+30, step 1). However, she was paid \$34,791 (MA+30, step 2).

The Board of Education passed a resolution at the May 20, 2003 board meeting, freezing Ms. Lee-Cash’s salary for the 2003-2004 school year. This “freeze” had the effect of putting Ms. Lee-Cash at the proper step for fiscal year 2004, but it did not recoup the overpayment for fiscal year 2003. The District did not seek restitution from Ms. Lee-Cash for the overpayment of compensation.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jennifer Lee-Cash, Kevin Moxely, Treasurer, and, his bonding company, Lumberman’s Mutual Casualty Company, jointly and severally, in the amount of one thousand three hundred ten dollars (\$1,310) in favor of the District’s General Fund.

Jennifer Lee-Cash has entered into a repayment agreement with the District and she has repaid the District two of the scheduled four installments totaling \$655. This amount has been credit to the District’s General Fund.

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-004
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Finding for Recovery – Not Properly Certified Teacher and Teacher Falsified Records

Ohio Rev. Code Section 3319.30 states except as provided in section 3319.36 of the Revised Code, no person shall receive any compensation for the performance of duties as teacher in any school supported wholly or in part by the state or by federal funds who has not obtained a license of qualification for the position as provided for under section 3319.22 of the Revised Code and which license shall further certify to the good moral character of the holder thereof.

The District hired Kenny Hinton to teach as a Special Education Intervention Specialist in fiscal year 2004, (through January 2004), even though he was not properly certified to teach as a Special Education Intervention Specialist.

Of note, Ohio Rev. Code Section 3319.36 provides in part that the treasurer of a board of education or educational service center will be held responsible for drawing a check for the payment of a teacher who has not been properly certified. However, according to *In re: Removal of Robert Kuehnle, Sherry Kuehnle, Blenda James, and Angela Issacs*, Case No.2004CV-08-2141, the treasurer was overridden by the Board of Education when they directed and required these payments in direct conflict with Ohio Rev. Code Sections 3319.30 and 3319.36. Specifically, the decision stated that “[t]he Court finds Respondents guilty of malfeasance in the retention and payment of Andrea James and Kenny Hinton during the 2003-2004 school year.” (p.116).

In addition, Ohio Rev. Code Section 3319.227 states notwithstanding any provision to the contrary in this chapter or in any educator licensing rule adopted by the state board of education under authority granted under this chapter, any individual who holds an educator license issued under [section 3319.22](#) of the Revised Code or a teacher's certificate issued under former section 3319.22 of the Revised Code that has continuing effect under [section 3319.222](#) of the Revised Code may be employed to teach for up to two school years in a grade level or in a subject or teaching area for which the individual's license or certificate is not valid, as long as the individual agrees that during that time the individual will enroll in, attend, and complete coursework required by rule of the state board for licensure to teach in that grade level or in that subject or teaching area.

Kenny Hinton purported to be taking classes in accordance with Ohio Rev. Code Section 3319.227 to become certified to teach as a Special Education Intervention Specialist. He did not complete the classes, and made a false report of grades earned for such classes to the District Superintendent.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Kenny Hinton, Special Education Intervention Specialist, and Board Members, Robert Kuehnle, Sherry Kuehnle, Angela Isaccs, and Blenda James, jointly and severally, in the amount of \$31,597. In addition, Board Member, Tony Kirchner is jointly and severally liable for \$24,945 of the \$31,597, and Board Member, Michael Brant is jointly and severally liable for \$6,652 of the \$31,597. This amount should be paid in favor of the District's General Fund.

1 This case is currently pending appeal in the Court of Appeals Madison County, Ohio, Twelfth Appellate District, Case No. CA2004-09-034.

**MADISON PLAINS LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-005
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Finding for Recovery – Not Properly Certified Teacher

Ohio Rev. Code Section 3319.30 states except as provided in section 3319.36 of the Revised Code, no person shall receive any compensation for the performance of duties as teacher in any school supported wholly or in part by the state or by federal funds who has not obtained a license of qualification for the position as provided for under section 3319.22 of the Revised Code and which license shall further certify to the good moral character of the holder thereof.

Even though Andrea James was not properly certified to teach Spanish, the District hired her to teach Spanish in fiscal year 2003 and fiscal year 2004, (through January 2004).

Of note, Ohio Rev. Code Section 3319.36 provides in part that the treasurer of a board of education or educational service center will be held responsible for drawing a check for the payment of a teacher who has not been properly certified. However, according to *In re: Removal of Robert Kuehnle, Sherry Kuehnle, Blenda James, and Angela Issacs*, Case No.2004CV-08-2142, the treasurer was overridden by the Board of Education when they directed and required these payments in direct conflict with Ohio Rev. Code Sections 3319.30 and 3319.36. Specifically, the decision stated that “[t]he Court finds Respondents guilty of malfeasance in the retention and payment of Andrea James and Kenny Hinton during the 2003-2004 school year.” (p.116).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Andrea James, Spanish Teacher, and Board Members, Robert Kuehnle, Sherry Kuehnle, Angela Isaccs, and Blenda James, jointly and severally, in the amount of \$51,246. In addition, Board Member, Tony Kirchner, is jointly and severally liable for \$49,790 of the \$51,246, and Board Member, Michael Brant, is jointly and severally liable for \$1,455 of the \$51,246. This amount should be paid in favor of the District’s General Fund.

3. FINDINGS FOR FEDERAL AWARDS

NONE

2 This case is currently pending appeal in the Court of Appeals Madison County, Ohio, Twelfth Appellate District, Case No. CA2004-09-034.



**Auditor of State
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MADISON PLAINS LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 17, 2005**