

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006





Mary Taylor, CPA  
Auditor of State

Board of Education  
Madison Plains Local School District  
55 Linson Road  
London, Ohio 43140

We have reviewed the *Independent Accountants' Report* of the Madison Plains Local School District, Madison County, prepared by Manning & Associates CPAs, LLC, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 12, 2007

**This Page is Intentionally Left Blank.**

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
<b>Basic Financial Statements For the Fiscal Year Ended June 30, 2006:</b>	
<b>Government-wide Financial Statements for the Fiscal Year Ended June 30, 2006:</b>	
Statement of Net Assets	10
Statement of Activities	11
<b>Fund Financial Statements for the Fiscal Year Ended June 30, 2006:</b>	
Balance Sheet - Governmental Funds	12
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Cash Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) General Fund	16
Statement of Fund Net Assets - Internal Service Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund	18
Statement of Cash Flows - Internal Service Fund	19
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	20
Notes to the Basic Financial Statements	22
Schedule of Federal Awards Expenditures	51
Notes to Schedule of Federal Awards Receipts and Expenditures	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Required by <i>Government Auditing Standards</i>	54
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	56
Schedule of Findings and Questioned Costs	58
Schedule of Prior Audit Findings	59

**This page intentionally left blank**

**MANNING & ASSOCIATES CPAs, LLC**  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45413-0449

**INDEPENDENT ACCOUNTANTS' REPORT**

Madison Plains Local School District  
Madison County  
55 Linson Road SW  
London, Ohio 43140-9751

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison Plains Local School District, Madison County, (the District), as of and for the year ended June 30, 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Plains Local School District, Madison County, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, during the year ended June 30, 2006, the School District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

Madison Plains Local School District  
Madison County  
Independent Accountants' Report  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2007 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Manning & Associates CPAs, LLC

May 2, 2007



**MADISON PLAINS LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

---

The discussion and analysis of the Madison Plains Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key Financial Highlights for 2006 are as follows:

- General Revenues accounted for \$14.5 million in revenue or 87.7% of all revenues. Program specific revenues in the forms of charges for services and sales, operating grants and contributions accounted for approximately \$2.1 or 12.3% of total revenues of \$16.6 million.
- Total program expenses were \$12.5 million in Governmental Activities
- In total, net assets of Governmental Activities increased over \$4.0 million for 2006.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of these finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Madison Plains Local School District, the general fund is by far the most significant fund.

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**MADISON PLAINS LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

---

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

**Governmental Funds** – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balance left at year-end available for spending in future periods. These funds are reported using an accounting method call modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** – Proprietary funds focus on the determination of changes in assets, financial position and cash flows and are classified as internal service funds

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside of the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**MADISON PLAINS LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

---

**The School District as a Whole**

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006: Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, comparisons to fiscal year 2005 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

	Governmental Activities 2006
<b>Assets</b>	
Current and Other Assets	\$ 11,987,940
Capital Assets	<u>2,568,793</u>
Total Assets	<u><u>14,556,733</u></u>
<b>Liabilities</b>	
Long-Term Liabilities	594,133
Other Liabilities	<u>6,675,904</u>
Total Liabilities	7,270,037
<b>Net Assets</b>	
Invested in Capital	
Assets, Net of Debt	2,499,901
Restricted	712,705
Unrestricted (Deficit)	<u>4,074,090</u>
Total Net Assets	<u><u>\$ 7,286,696</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School District's change in net assets was \$4,077,274.

**MADISON PLAINS LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

Table 2 shows the changes in net assets for fiscal year 2006. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2005 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities 2006
<b>Revenues</b>	
<i>Program Revenues:</i>	
Charges for Services	\$ 1,054,176
Operating Grants	985,279
<i>General Revenue:</i>	
Property Taxes	8,633,314
Grants and Entitlements	5,670,962
Other	235,555
Total Revenues	16,579,286
<b>Program Expenses</b>	
Instruction	6,844,523
Support Services	4,715,789
Operation of Non-Instructional	22,216
Food Service	503,300
Extracurricular Activities	393,123
Interest and Fiscal Charges	23,061
Total Expenses	12,502,012
Changes in Net Assets	4,077,274
Net Assets, Beginning of Year	3,209,422
Net Assets, End of Year	\$ 7,286,696

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$14,539,831 or 87.7% of total revenue, which the most significant portion of the general revenue being local property taxes. The remaining amount of revenue received was in the form of program revenue which equaled \$2,039,455 or 12.3% of total revenue.

Instructional expenses comprise 54.8% of governmental programs expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 41.9%. The remaining 3.3% of program expenses is used for other obligations of the School District such as extracurricular activities.

**MADISON PLAINS LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

---

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$16.6 million and expenses of \$12.5 million. Comparisons to 2005 have not been made since they are not available.

**(Table 3)**  
**Governmental Activities**

	2006	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 6,844,523	\$ 5,522,599
Support Services:		
Pupils and Instructional Staff	683,756	677,756
Board of Education, Administration		
Fiscal and Business	1,767,254	1,762,197
Operation and Maintenance of Plant	1,017,746	1,017,746
Pupil Transportation and Central	1,247,033	1,232,033
Operation of Non-Instructional Services	22,216	22,216
Food Service	503,300	2,072
Extracurricular Activities	393,123	202,877
Interest Charges	23,061	23,061
Total Expenses	\$ 12,502,012	\$ 10,462,557

**MADISON PLAINS LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

---

**Governmental Activities**

Instruction, Pupils and Instructional Staff a comprise 60.2% of governmental program expenses. Pupil Transportation and the Operation/Maintenance of Plant account for 18.2% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Madison Plains Local School District students.

**District Funds**

Information regarding the District's major fund can be found on pages 12 – 16. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,579,286 and expenditures of \$12,502,012. The net change in fund balances for the year was as follows: General fund \$3,789,605 and Other Governmental Funds \$31,623.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, budget basis revenue was \$12.2 million, which is under the original budget estimate of \$11.7 million. Final appropriations of \$11.6 million were over original appropriations of 10.9 million, caused primary from the need to issue tax anticipation notes during the year for operating purposes.

**Capital Assets**

At the end of fiscal year 2006, the School District had \$2.6 million invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared with 2005 net of depreciation.

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	2006	2005
Land & Improvements	\$ 444,690	\$ 480,715
Buildings	1,727,938	1,773,251
Furniture & Equipment	313,542	238,969
Vehicles	59,860	164,383
Textbooks	<u>22,763</u>	<u>84,450</u>
<b>Total Capital Assets</b>	<b>\$ <u>2,568,793</u></b>	<b>\$ <u>2,741,768</u></b>

**MADISON PLAINS LOCAL SCHOOL DISTRICT**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2006  
 Unaudited

---

**Capital Assets (continued)**

The approximately \$200,000 decrease in capital assets was attributable to depreciation expense and disposals exceeding additional purchases. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Ohio Law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2006, this amounted to \$145,754 for each set aside. The School District had qualifying disbursements during the year that exceeded the capital improvements requirements. See Note 21 for additional information.

**Debt**

At June 30, 2006, the School District had \$275,000 in bonds outstanding with \$20,000 due within one year. During fiscal year 2006, \$600,000 tax anticipation note was issued and retired. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2006	2005
General Obligation Bonds Payable:		
HB264 Energy Conservation	\$ 275,000	\$ 295,000

HB#264 Energy Conservation Bonds were issued to reduce energy consumption in buildings owned by the School District. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

**Current Issues**

The School District has a good financial position. The Board of Education and administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the District's Improvement plan. The administration continues to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, at Madison Plains Local School District, 55 Linson Road SW, London, Ohio 43140.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

		Governmental Activities
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$	4,371,903
Receivables:		
Taxes		7,572,377
Intergovernmental		43,660
Depreciable Capital Assets (Net)		2,568,793
 Total Assets	 \$	 <u>14,556,733</u>
 <b>Liabilities</b>		
Accounts Payable		83,130
Accrued Wages and Benefits		775,014
Intergovernmental Payable		298,389
Accrued Vacation Leave Payable		21,037
Matured Compensated Absences Payable		42,000
Unearned Revenue		5,265,977
Claims Payable		190,357
Long-Term Liabilities:		
Due Withing One Year		139,458
Due in More Than One Year		454,675
 Total Liabilities		 <u>7,270,037</u>
 <b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$	2,499,901
Restricted for:		
Capital Projects		355,995
Other Purposes		87,490
Set Asides		269,220
Unrestricted		4,074,090
 Total Net Assets	 \$	 <u><u>7,286,696</u></u>

See accompanying notes to the Basic Financial Statements.



**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Programs Receipts</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 4,753,303	\$ 618,623	\$ 197,746	\$ (3,936,934)
Special	975,445	6,571	489,146	(479,728)
Vocational	326,373	0	9,838	(316,535)
Other	789,402	0	0	(789,402)
Support Services:				
Pupils	306,713	0	6,000	(300,713)
Instructional Staff	377,043	0	0	(377,043)
Board of Education	48,292	0	0	(48,292)
Administration	1,168,485	0	0	(1,168,485)
Fiscal	550,477	0	5,057	(545,420)
Operation and Maintenance of Plant	1,017,746	0	0	(1,017,746)
Pupil Transportation	1,014,482	0	0	(1,014,482)
Central	232,551	0	15,000	(217,551)
Operation of Non-Instructional Services	22,216	0	0	(22,216)
Food Service	503,300	352,212	149,016	(2,072)
Extracurricular Activities	393,123	76,770	113,476	(202,877)
Interest and Fiscal Charges	23,061	0	0	(23,061)
Total Government Activities	\$ 12,502,012	\$ 1,054,176	\$ 985,279	\$ (10,462,557)
 <b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				8,276,634
Capital Projects				356,680
Grants and Entitlements not Restricted to Specific Programs				5,670,962
Investment Earnings				118,801
Miscellaneous				116,754
				14,539,831
				4,077,274
				3,209,422
				7,286,696

See accompanying notes to the Basic Financial Statements.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	3,251,228	481,194	3,732,422
Restricted Cash and Cash Equivalents	269,220	0	269,220
Receivable:			
Taxes	7,298,611	273,766	7,572,377
Interfund	154,805	0	154,805
Intergovernmental	0	43,660	43,660
 Total Assets	 \$ 10,973,864	 \$ 798,620	 \$ 11,772,484
 <b>Liabilities:</b>			
Accounts Payable	\$ 25,623	\$ 57,507	\$ 83,130
Accrued Wages and Benefits	702,179	72,835	775,014
Interfund Payable	0	154,805	154,805
Intergovernmental Payable	277,948	20,441	298,389
Accrued Vacation Payable	18,825	2,212	21,037
Matured Compensated Absences Payable	42,000	0	42,000
Deferred Revenue	5,532,311	199,624	5,731,935
 Total Liabilities	 6,598,886	 507,424	 7,106,310
 <b>Fund Balances</b>			
Reserved for Encumbrances	\$ 109,925	\$ 122,915	\$ 232,840
Reserved for Property Taxes	1,766,300	90,900	1,857,200
Reserved for Textbooks/Instructional Materials	269,220	0	269,220
Unreserved:			
Designated for Contingencies	540,000	0	540,000
Undesignated, Reported In:			
General Fund	1,689,533	0	1,689,533
Special Revenue Funds	0	(59,726)	(59,726)
Capital Projects Fund	0	137,107	137,107
 Total Fund Balances	 4,374,978	 291,196	 4,666,174
 Total Liabilities and Fund Balances	 \$ 10,973,864	 \$ 798,620	 \$ 11,772,484

See accompanying notes to the Basic Financial Statements.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006**

<b>Total Governmental Fund Balances</b>		<b>\$ 4,666,174</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds		2,568,793
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 16,757	
Delinquent Property Taxes	<u>449,201</u>	465,958
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore, are not reported in the funds		
General Obligation Bonds	\$ (275,000)	
Capital Leases	<u>(68,892)</u>	(343,892)
Some expenses reported in the statement of activates do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	\$ (222,241)	
Early Retirement Incentive	<u>(28,000)</u>	(250,241)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in statement of net assets.		<u>179,904</u>
 <b><i>Net Assets of Governmental Activities</i></b>		 <b><u><u>\$ 7,286,696</u></u></b>

See accompanying notes to the basic financial statements

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>			
Taxes	\$ 8,040,936	\$ 346,780	\$ 8,387,716
Intergovernmental	5,762,565	718,512	6,481,077
Investment Income	118,801	0	118,801
Tuition and Fees	625,194	44,931	670,125
Charges for Services	76,770	113,477	190,247
Extracurricular Activities	0	352,212	352,212
Gifts and Donations	2,160	60,448	62,608
Miscellaneous	36,845	17,297	54,142
Total Revenues	<u>14,663,271</u>	<u>1,653,657</u>	<u>16,316,928</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	4,582,334	245,982	4,828,316
Special	560,356	386,174	946,530
Vocational	337,205	952	338,157
Other	789,402	0	789,402
Support Services:			
Pupils	257,097	49,111	306,208
Instructional Staff	291,376	80,403	371,779
Board of Education	48,292	0	48,292
Administration	1,055,432	76,976	1,132,408
Fiscal	518,691	32,716	551,407
Operation and Maintenance of Plant	838,285	108,909	947,194
Pupil Transportation	1,053,135	3,542	1,056,677
Central	229,192	21,324	250,516
Operation of Non-Instructional Services	0	5,444	5,444
Food Service	0	496,230	496,230
Extracurricular Activities	256,602	113,574	370,176
Capital Outlay	0	72,197	72,197
Debt Service:			
Principal Retirement	0	43,388	43,388
Interest and Fiscal Charges	8,933	14,128	23,061
Total Expenditures	<u>10,826,332</u>	<u>1,751,050</u>	<u>12,577,382</u>
Excess of Revenues Over/(Under)			
Expenditures	3,836,939	(97,393)	3,739,546
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	0	81,682	81,682
Transfer In	1,008	48,342	49,350
Transfer Out	<u>(48,342)</u>	<u>(1,008)</u>	<u>(49,350)</u>
Total Other Financing Sources (Uses)	(47,334)	129,016	81,682
Net Change in Fund Balances	3,789,605	31,623	3,821,228
Fund Balances Beginning of Year, restated	<u>585,373</u>	<u>259,573</u>	<u>844,946</u>
Fund Balances End of Year	<u>\$ 4,374,978</u>	<u>\$ 291,196</u>	<u>4,666,174</u>

See accompanying notes to the Basic Financial Statements.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,821,228

*Amounts reported for governmental activities in the statement of net assets are different because*

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded additions in the current period.

Capital Asset Additions	\$ 118,340	
Current Year Depreciation	<u>(291,315)</u>	(172,975)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Grants	\$ 16,758	
Delinquent Property Taxes	<u>245,600</u>	262,358

Repayment of note and bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Capital Leases	\$ 23,388	
Bond Principal	<u>20,000</u>	43,388

Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated Absences	\$ 174,668	
Early Retirement Incentive	<u>(14,000)</u>	160,668

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in statement of net assets.

(37,393)

***Change in Net Assets of Governmental Activities*** **\$ 4,077,274**

See accompanying notes to the basic financial statements

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - (NON-GAAP BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	
<b>Revenue</b>				
Taxes	\$ 5,454,540	\$ 5,581,538	\$ 5,581,538	\$ 0
Intergovernmental	5,387,506	5,762,565	5,762,565	0
Investment Income	89,500	118,548	118,801	253
Tuition and Fees	709,910	625,193	625,194	1
Extracurricular	66,565	76,770	76,770	0
Gifts and Donations	3,000	2,160	2,160	0
Miscellaneous	31,908	36,845	36,845	0
Total Revenue	<u>11,742,929</u>	<u>12,203,619</u>	<u>12,203,873</u>	<u>254</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,660,221	4,643,494	4,643,494	0
Special	631,996	588,649	588,649	0
Vocational	332,234	327,696	327,696	0
Adult/Continuing	2,373	0	0	0
Other	565,633	786,099	786,099	0
Support Services:				
Pupil	350,808	281,131	281,131	0
Instructional Staff	350,484	316,224	316,225	(1)
Board of Education	90,238	50,538	50,538	0
Administration	908,689	1,038,116	1,038,115	1
Fiscal	463,219	490,436	490,436	0
Business	200	0	0	0
Operation and Maintenance of Plant	884,204	834,305	834,305	0
Pupil Transportation	1,095,312	1,162,942	1,162,941	1
Central	195,305	252,510	252,510	0
Operation of Non-Instructional Services		0	0	0
Extracurricular Activities	327,742	256,592	256,592	0
Capital Outlay:	0	0	0	0
Debt Service				
Principal Retirement	0	600,000	600,000	0
Interest & Fiscal Charges	0	8,933	8,933	0
Total Expenditures	<u>10,858,658</u>	<u>11,637,665</u>	<u>11,637,664</u>	<u>1</u>
Exces of Revenues Over Expenditures	884,271	565,954	566,209	255
<b>Other Financing Sources (Uses):</b>				
Transfers In	123,985	108,046	1,008	(107,038)
Advance In	23,000	22,995	22,994	(1)
Note Issued	600,000	600,000	600,000	0
Refund of Prior Year Expenditures	14,228	14,227	14,227	0
Transfers Out	(629,532)	(155,380)	(48,342)	107,038
Advance Out	0	(5,415)	(5,414)	1
Other Financing Uses	<u>(1,249,412)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>(1,117,731)</u>	<u>584,473</u>	<u>584,473</u>	<u>0</u>
Net Change in Fund Balances	(233,460)	1,150,427	1,150,682	255
Fund Balances Beginning of Year	234,556	534,292	534,292	0
Prior Year Encumbrances Appropriated	<u>12,000</u>	<u>124,126</u>	<u>124,126</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 13,096</u>	<u>\$ 1,808,845</u>	<u>\$ 1,809,100</u>	<u>\$ 255</u>

See accompanying notes to the Basic Financial Statements.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF FUND NET ASSETS  
INTERNAL SERVICE FUND  
AS OF JUNE 30, 2006**

	<b>Governmental Activities Internal Service Funds</b>
<b>Assets</b>	
Equity in Pooled Cash, Cash Equivalents	\$ <u>370,261</u>
Total Assets	\$ <u><u>370,261</u></u>
<b>Liabilities</b>	
Claims Payable	<u>190,357</u>
<b>Net Assets</b>	
Unrestricted	\$ <u><u>179,904</u></u>
Total Net Assets	<u><u>179,904</u></u>

See accompanying notes to the Basic Financial Statements.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Governmental Activities Internal Service Funds</b>
	<hr/>
<b>Operating Revenues</b>	
Charges for Services	\$ 2,108,151
Other Revenues	<hr/> 12,890
Total Operating Revenues	<hr/> 2,121,041
<b>Operating Expenses</b>	
Purchased Services	55,249
Claims	<hr/> 2,103,185
Total Operating Expenses	<hr/> 2,158,434
Net Loss	<hr/> (37,393)
Net Assets Beginning of Year	<hr/> 217,297
Net Assets End of Year	\$ <hr/> <hr/> 179,904

See accompanying notes to the Basic Financial Statements.



**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Governmental Activities Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received for Charges for Services	\$ 2,121,041
Cash Paid for Claims	(2,071,459)
Cash Paid for Goods and Services	(55,249)
Net Cash Used For Operating Activities	(5,667)
Net Decrease in Cash and Cash Equivalents	(5,667)
Cash and Cash Equivalents, beginning of year	375,928
Cash and Cash Equivalents, end of year	370,261
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	\$ (37,393)
Adjustments:	
Increase in Claims Payable	31,726
Total Adjustments	\$ (5,667)
Net Cash Used for Operating Activities	\$ (5,667)

See accompanying notes to the Basic Financial Statements.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2006**

	<u>Agency</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>62,915</u>
Total Assets	<u><u>62,915</u></u>
<b>LIABILITIES</b>	
Due to Students	\$ 21,783
Undistributed Monies	<u>41,132</u>
Total Liabilities	<u><u>62,915</u></u>

See accompanying notes to the Basic Financial Statements.

**This page intentionally left blank**

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**1. Description of the School District**

Madison Plains Local School District (the "School 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 School 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 School District began to attend the Madison South building.

In 1976, the School District was still operating six buildings, employed 105 certified and 69 noncertified employees with an operating budget of just over two million dollars a year. Property valuation was 56 million dollars and the School 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 School District operates five buildings – (3) elementary schools housing grades kindergarten through fifth; (1) middle school with grades six, seven, and eight; and (1) high school which houses grades nine through twelve.

The School District is a body political 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 School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 2005 was 1427. As of June 30, 2006; the School District employed 96 certified employees and 61 non-certificated employees. The School District is supervised by the Madison County Educational Service Center, a separate entity.

The School District provides regular, vocational and special instruction. The School 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 BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**1. Description of the School District (continued)**

**A Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Madison Plains Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The district participates in two jointly governed organizations, and two insurance pools. These organizations are the Metropolitan Education Council (MEC), the Central Ohio Joint Vocational School, Ohio School Boards Association Workers Compensation Group, and the Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan. These organizations are presented in Notes 19 and 20.

**2. Summary of Significant Accounting Policies**

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

See Note 23 for the accounting principals implemented during the fiscal year. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**2. Summary of Significant Accounting Policies (continued)**

**A. Basis of Presentation**

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**2. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting**

**1. Governmental Funds**

**General Fund** – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following is the School District's proprietary fund:

**Internal Service Fund** – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical and prescription drug benefits.

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

**C. Measurement Focus**

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**2. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus (continued)**

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the Government-wide Financial Statements.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.



MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**2. Summary of Significant Accounting Policies (continued)**

**D. Basis of Accounting (continued)**

**Revenues - Exchange and Non-Exchange Transactions (continued)**

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**Deferred/Unearned Revenue**

Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditure**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the food service fund as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within "operating grants and contributions" program revenue account.

Under the modified accrual basis, the measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**2. Summary of Significant Accounting Policies (continued)**

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each funds interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2006, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

For presentation on the financial statements, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$118,801 which includes \$22,183 assigned from other School District funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 22 for additional information regarding set-asides.

**G. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**2. Summary of Significant Accounting Policies (continued)**

**G. Capital Assets (continued)**

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	10 – 20 Years
Buildings and Improvements	25 – 40 Years
Furniture and Equipment	3 – 10 Years
Vehicles	3 – 10 Years

**H. Compensated Absences**

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

**I. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**2. Summary of Significant Accounting Policies (continued)**

**J. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance Reserves and Designations**

The School District reserves and designates for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes and textbook/instructional purchases. A designation of fund balance has been established by Board Resolution to account for future contingencies.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**L. Interfund Activity**

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets

**M. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**2. Summary of Significant Accounting Policies (continued)**

**N. Estimates**

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

**O. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**3. Accountability**

**Fund Deficits**

Fund balances/net assets at June 30, 2006 included the following individual fund deficits:

	Deficit	
	Fund Balance	Net Assets
Nonmajor Governmental Funds:		
Food Service	\$ 24,799	\$ 33,847
Title VI-B	58,660	64,445
Title I	20,498	20,498
Title V	978	978
Drug Free Grant	6,236	1,940
E-Rate	2,160	2,160
Title II-A	5,003	5,003
Miscellaneous Federal Grant	11,455	10,421

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**3. Accountability (continued)**

**Fund Deficits (continued)**

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**4. Budgetary Basis of Accounting**

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ 3,789,605
Net Adjustment for Revenue Accruals	(1,845,171)
Advances In	22,994
Advances Out	(5,414)
Net Adjustment for Expenditure Accruals	(799,332)
Adjustment for Encumbrances	<u>(12,000)</u>
Budget Basis	<u>\$ 1,150,682</u>

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**5. Deposits and Investments**

State statutes classify monies held by the School 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 School 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 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 the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**5. Deposits and Investments (continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Career Center's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Deposits**

At fiscal year-end, the carrying amount of the School District's deposits was \$4,434,817 and the bank balance was \$4,208,162 of the bank balance:

1. \$100,000 of the bank balance was covered by depository insurance; and
2. \$4,108,162 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.



MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**5. Deposits and Investments (continued)**

**Investments**

Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

	Fair Value	Maturity 0 – 12 Months
STAROhio	<u>\$1</u>	<u>\$1</u>

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy is to follow State statute which is to invest funds with the highest interest rate bid.

**Credit Risk:** The School District's only investment during June 30, 2006 is STAROhio. Its investment in STAROhio is rated AAAM by Standard and Poor's. The School District has left \$1 in STAROhio in order to keep the account open for future investments.

**Concentration of Credit Risk:** The School District investment policy is to be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. Strategies to achieve this are determined and revised periodically. All investments and deposits are collateralized pursuant to the Ohio Revised Code.

**6. Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2005, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**6. Property Taxes (continued)**

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Madison County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2006, was \$1,766,300 in the General Fund, \$90,900 in the Permanent Improvement Capital Projects Fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 141,536,610	76.75%	\$ 149,010,180	77.81%
Commercial/Industrial	10,710,970	5.81%	13,737,880	7.17%
Public Utility	69,580	0.04%	69,580	0.04%
Tangible Personal Property	32,081,460	17.40%	28,693,473	14.98%
<b>Total</b>	<b>\$ 184,398,620</b>	<b>100.00%</b>	<b>\$ 191,511,113</b>	<b>100.00%</b>
Tax Rate of \$1,000 of assessed valuation	\$67.45		\$67.45	

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**7. Receivables**

Receivables at June 30, 2006, consisted of taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30 consisted of federal grants receivable.

**8. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 06/30/05	Additions	Reductions	Balance 06/30/06
<b>Governmental Activities</b>				
<i>Capital Assets, being appreciated</i>				
Land Improvements	1,570,198	0	0	1,570,198
Buildings and Improvements	5,948,133	42,864	0	5,990,997
Furniture and Equipment	832,655	34,076	0	866,731
Vehicles	1,314,571	41,400	(91,651)	1,264,320
Textbooks	649,193	0	0	649,193
Total Capital Assets, being depreciated	10,314,750	118,340	(91,651)	10,341,439
Less Accumulated Depreciation:				
Land Improvements	(1,089,483)	(36,025)	0	(1,125,508)
Buildings and Improvements	(4,174,882)	(88,177)	0	(4,263,059)
Furniture and Equipment	(593,686)	(51,154)	91,651	(553,189)
Vehicles	(1,150,188)	(54,272)	0	(1,204,460)
Textbooks	(564,743)	(61,687)	0	(626,430)
Total Accumulated Depreciation	(7,572,982)	(291,315)	91,651	(7,772,646)
Total Capital Assets being depreciated, net	2,741,768	(172,975)	0	2,568,793
Governmental Activities Capital Assets, Net	\$ 2,741,768	\$ (172,975)	\$ 0	\$ 2,568,793

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**8. Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 155,268
Special	1,163
Vocational	3,647
Support Services:	
Administration	23,414
Fiscal	421
Operation and Maintenance of Plant	6,085
Pupil Transportation	60,462
Operation of Non-Instructional	16,772
Extracurricular Activities	22,947
Total Depreciation	<u>\$ 290,179</u>

**9. Risk Management**

**A. Property and Liability**

The School 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 School 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 \$2,000,000 in the aggregate. In addition, the School District also maintains a \$3,000,000 umbrella liability policy.

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and replacement cost insurance on buildings and contents in the amount of \$26,931,577 (based on the most recent industrial appraisal). The vacant building (Fairfield Elementary) is insured for \$2,442,133 for the building and \$270,506 for property inside the vacant building. Insurance levels are monitored by the Treasurer and adjusted annually based on current capital assets values.

**B. Workers' Compensation**

The School 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 School 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.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**9. Risk Management (continued)**

**B. Workers' Compensation (continued)**

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 performances 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 School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**C. Employee Medical Benefits**

The School 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, Food Service Fund, and certain Special Revenue Funds (Grants). Effective July 1, 2005, the School District has procured a new self funded plan administered under the auspices of the Ohio Mid-Eastern Regional Education Service Agency (OMERESA). The plan will require terminal liability reserves to be accrued monthly via premiums, and held in trust by the consortium. Deposit Liability reserves and Budgetary reserves will remain in the School District's self-insurance fund.

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, 2006 follows:

		Balance Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2006	\$	158,631	2,103,185	2,071,459	190,357
2005	\$	249,960	1,713,207	1,804,536	158,631

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**11. Defined Benefit Pension Plans**

**A School Employees Retirement System**

The School 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 State Statute 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 or by calling (614) 222-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. 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. The School District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$236,520, \$230,867 and \$230,641 respectively, 55 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$105,960 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The School 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 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**11. Defined Benefit Pension Plans (continued)**

**B. State Teachers Retirement System (continued)**

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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. 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.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$619,226, \$548,067, and \$784,864 respectively. Contributions to the DC and Combined Plans for fiscal year 2006 were \$6,477 made by the School District and \$9,271 made by the plan members. \$126,490 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds, 80% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

A retiree of STRS Ohio or another Ohio Public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. Postemployment Benefits**

Comprehensive health care benefits are provided 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 on a pay-as-you-go basis.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**12. Postemployment Benefits**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 health care costs 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% of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$44,230 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, the health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2006, employer contributions to fund health care benefits were 4.17% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$106,238.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

**13. Other Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty two days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.



MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**13. Other Employee Benefits (continued)**

**Compensated Absences**

Teachers, Administrators, and Classified employees earn sick leave at a rate of one and one-quarter days per month which may be accumulated up to a maximum of 271 days for classified employees and 270 for certified employees. Upon retirement, payment is made for one-fourth of accrued with a maximum of 57 days for classified employees and 85 days for certified employees.

**14. Long - Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 7/01/2005	Additions	Reductions	Outstanding 6/30/2006	Amounts Due in One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Energy Conservation	\$ 295,000	\$ 0	\$ 20,000	\$ 275,000	20,000
<i>Other Long-Term Liabilities</i>					
Capital Lease	92,280	0	23,388	68,892	24,256
Compensated Absences	396,909	0	174,668	222,241	74,202
Early Retirement Incentive	14,000	28,000	14,000	28,000	21,000
Total Other Long-Term Liabilities	503,189	28,000	212,056	319,133	119,458
Total Governmental Activities Long-Term Liabilities	\$ 798,189	\$ 28,000	\$ 232,056	\$ 594,133	\$ 139,458

Energy Conservation Bonds - Energy conservation bonds in the amount of \$319,550 were issued in accordance with Chapter 133 of the Ohio Revised Code on July 1, 2003 with an average annual interest rate of 3.66%. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 14 year period with the final payment due on December 1, 2016. The bonds will be retired from the capital projects fund.

Capital leases will be paid from the capital projects fund. Compensated absences will be paid from the funds which the employee's salaries are paid.

On November 1, 2005, the School District issued \$600,000 in tax anticipation notes in advance of property tax collections, depositing the proceeds in the general fund. These notes matured on March 15, 2006, with a total interest payment of \$8,933. These notes were necessary for short-term borrowing by the School District to meet current operating obligations.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**14. Long - Term Obligations (continued)**

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,000	\$ 10,590	\$ 30,590
2008	20,000	9,990	29,990
2009	20,000	9,355	29,355
2010	25,000	8,586	33,586
2011	25,000	7,661	32,661
2012-2016	135,000	22,480	157,480
2017	30,000	713	30,713
Total	<u>\$ 275,000</u>	<u>\$ 69,375</u>	<u>\$ 344,375</u>

**15. Capitalized Leases**

The School District is making installment payments on fitness equipment purchased with an original value of \$191,901. This obligation provides for interest at rates of 3.65%, with an outstanding balance of \$68,892 at June 30, 2006.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 24,256	\$ 2,111	\$ 26,367
2008	25,157	1,211	26,368
2009	19,479	298	19,777
Total	<u>\$ 68,892</u>	<u>\$ 3,620</u>	<u>\$ 72,512</u>

**16. Deferred/Unearned Revenue**

Deferred/unearned revenue consisted of the following:

	<u>Statement of Net Assets</u>	<u>Balance Sheet</u>
Property Taxes Receivable	\$ 5,265,977	\$ 5,715,177
Grants Receivable	0	16,758
Total Deferred/Unearned Revenue	<u>\$ 5,265,977</u>	<u>\$ 5,731,935</u>

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**17. Interfund Transfers**

Transfers made during fiscal year 2006 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 1,008	\$ 48,342
Nonmajor Governmental Funds:		
Food Service	39,587	0
Public School Support	1,008	1,008
After School Care	820	0
Athletics	5,096	0
Title V	489	0
Drug Free Grant	63	0
Miscellaneous Federal Grants	1,279	0
	<u>\$ 49,350</u>	<u>\$ 49,350</u>

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**18. Interfund Balances**

Interfund balances at June 30, 2006 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 154,805	\$ 0
Nonmajor Governmental Funds:		
Food Service	0	35,000
Title VI	0	65,000
Title I	0	31,000
Title V	0	1,000
Drug Free	0	6,235
E-Rate	0	2,160
Title II-A	0	13,682
Miscellaneous Federal	0	728
Total	<u>\$ 154,805</u>	<u>\$ 154,805</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2006, all interfund payables outstanding are anticipated to be repaid in fiscal year 2007.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**19. 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, of 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 Executive Director, 2100 Citygate Drive, Columbus, Ohio 43219.

**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.

**20. Insurance Pools**

**A. Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP) and insurance purchasing pool. The GRP'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 school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Claims Servicing Pool**

The School District participates in the Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan, an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each school districts and county boards of education in the plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

**21. Contingencies**

**A. Grants**

The School 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 are 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 School District at June 30, 2006.

**B. Litigation**

Prior to June 30, 2006, Columbia Gas Transmission Corporation (CGT) filed an appeal with the State of Ohio Department of Taxation Public Utility Tax Division seeking a reduction in their public utility tangible personal property tax rate assessment from 88 percent to 25 percent. CGT won at the Ohio Board of Tax Appeals, and the State has appealed to the Ohio Supreme Court. The School District's maximum liability is approximately \$532,341 which represents refunds of taxes paid for tax years 2001 through 2005. However, the School District is currently unable to predict the ultimate effect of this litigation on its financial position or results of operations.

The School District is a party to two civil legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition the School District.

**22. Set-Asides**

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2005	\$ 0	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2005	0	280,412	280,412
Current Year Set-Aside Requirement	145,754	145,754	291,508
Qualifying Disbursements	(308,450)	(156,946)	(465,396)
Total	<u>\$ (162,696)</u>	<u>\$ 269,220</u>	<u>\$ 106,524</u>
Cash Balance Carried Forward to FY 2007	<u>\$ 0</u>	<u>\$ 269,220</u>	<u>\$ 269,220</u>
Restricted Cash			<u>\$ 269,220</u>

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**22. Set-Asides (continued)**

The School District had qualifying disbursements during the year that reduced the capital improvements reserve set-asides below zero, these amounts may not be used to reduce the set-aside requirement of future years. The extra amounts for the textbook and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years.

**23. Change in Accounting Principle and Restatement of Fund Balances/Net Assets**

**Changes in Accounting Principles**

For fiscal year 2006, the School District implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", GASB Statement No. 41, "*Budgetary Comparison Schedules - Perspective Differences*", and GASB Interpretation No. 6 "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*."

The School District has also implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*." GASB Technical Bulletin 2004-2 "*Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*"

Finally, for the year ended June 30, 2006, the School District has implemented GASB Statement No 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*," GASB Statement No. 46 "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47 "*Accounting for Termination Benefits*."

Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of GASB Nos. , 38, 40, 41, 42, 46, 47 and GASB Technical Bulletin 2004-2. However, as a result of the implementation of GASB No. 34 and GASB Interpretation No. fund and net balances were restated.

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**23. Change in Accounting Principle and Restatement of Fund Balances/Net Assets**

**Changes in Accounting Principles**

of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2005, caused by the conversion to the accrual basis of accounting.

**23. Change in Accounting Principle and Restatement of Fund Balances/Net Assets (continued)**

**Restatement of Prior Year Fund and Net Asset Balances**

It was determined that the revenues generated by the enterprise funds were not sufficient to cover the costs of the program. Additionally, there was no debt pledged nor were any laws or regulations requiring cost be recovered through fees and charges. Therefore, it was determined that special revenue fund type is a more appropriate classification. It was also determined that the use of the Rotary internal service fund would be better classified as General fund operations. These changes in fund classification, along with the implementation of the GASB Standards noted above, had the following effects on fund balances of the major and nonmajor funds of the School District as they were previously reported. The transition from cash basis balances, to the net assets at the government wide level for governmental activities, is also presented.

	Enterprise Funds	Rotary Internal Service	Total
Beginning Cash Balance-June 30,2005	\$ 8,085	\$ 1,097	\$ 9,182
Fund Reclassifications	(8,085)	(1,097)	(9,182)
Restated Cash Beginning Balance, June 30, 2005	\$ 0	\$ 0	\$ 0

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**23. Change in Accounting Principle and Restatement of Fund Balances/Net Assets (continued)**

**Restatement of Prior Year Fund and Net Asset Balances**

	General	Nonmajor	Total
Fund Cash Balances, June 30,2005	\$ 245,459	\$ 375,112	\$ 620,571
Fund Reclassifications	1,097	8,085	9,182
Restated Cash Beginning Balance, June 30, 2005	246,556	383,197	629,753
Modified Accrual Adjustments	338,817	(123,624)	215,193
Restated Modified Accrual			
Fund Balance, June 30,2005	585,373	259,573	844,946
GASB 34 Adjustments:			
Capital Assets			2,741,768
Long Term Liabilities			(798,189)
Internal Service Fund			217,297
Long Term Deferred Assets			203,600
Total Adjustments			2,364,476
Total Net Assets, June 30,2005			\$ 3,209,422



**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>							
<i>Passed Through Ohio Department of Education:</i>							
Nutrition Cluster:							
Food Donation	NA	2006	10.550	\$	\$ 43,427	\$	\$ 43,427
School Breakfast Program	05-PU	2006	10.553	14,264		14,264	
National School Lunch Program	LL-P4	2006	10.555	<u>146,319</u>		<u>146,319</u>	
<b>Total U.S. Department of Agriculture</b>				<u>160,583</u>	<u>43,427</u>	<u>160,583</u>	<u>43,427</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>							
<i>Passed Through Ohio Department of Education:</i>							
Title I Grants to Local Educational Agencies	C1-S1	2006	84.010	159,561		157,849	
Special Education_Grants to States	6B-SF	2006	84.027	349,957		313,532	
Safe and Drug-Free Schools and Communities_State Grants	DR-S1	2006	84.186	3,320		5,578	
State Grants for Innovative Programs	C2-S1	2006	84.298	4,983		5,530	
Education Technology State Grants	TJ-S1	2006	84.318	2,364		3,036	
Improving Teacher Quality State Grants	TR-S1	2006	84.367	<u>61,257</u>		<u>60,922</u>	
<b>Total U.S. Department of Education</b>				<u>581,442</u>	<u>0</u>	<u>546,447</u>	<u>0</u>
<i>Total Federal Awards</i>				<u>\$ 742,025</u>	<u>\$ 43,427</u>	<u>\$ 707,030</u>	<u>\$ 43,427</u>

See Notes to the Schedule of Federal Awards

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR FISCAL YEAR ENDED JUNE 30, 2006

---

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION PROGRAM**

Program regulators do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

**NOTE C – CHILD NUTRITION CLUSTER**

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

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

**This page intentionally left blank**

**MANNING & ASSOCIATES CPAs, LLC**  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Madison Plains Local School District  
Madison County  
55 Linson Road SW  
London, Ohio 43140-9751

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Plains Local School District, Madison County, (the District), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon May 2, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 2, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the District's management dated May 2, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

May 2, 2007

**MANNING & ASSOCIATES CPAs, LLC**  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414

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

Madison Plains Local School District  
Madison County  
55 Linson Road SW  
London, Ohio 43140-9751

**Compliance**

We have audited the compliance of the Madison Plains Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Madison Plains Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The School District's management 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 School District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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 intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

May 2, 2007

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

**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)?	No
(d)(1)(iii)	Was there any reported material noncompliance 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):	Special Education_Grants to States 84.027
(d)(1)(vi)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; Explain
2005-001	Ohio Admin. Code 117-2-03(B) the School District did not prepare its annual financial report in accordance with generally accepted accounting principles	Yes	





**Mary Taylor, CPA**  
Auditor of State

**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  
JUNE 26, 2007**