

MADEIRA CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2003



**Auditor of State
Betty Montgomery**

Board of Education
Madeira City School District
7465 Loannes Drive
Madeira, Ohio 45243

We have reviewed the Independent Auditor's Report of the Madeira City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2002 through June 30, 2003. 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 Madeira City School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 1, 2004

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January 22, 2004

REPORT OF INDEPENDENT ACCOUNTANTS

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 the Madeira City School District, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

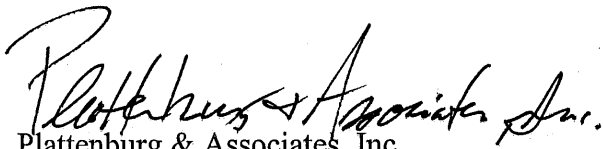
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madeira City School District, as of June 30, 2003 and, the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Required Supplementary Information

The Management's Discussion and Analysis and the budgetary information, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Plattenburg & Associates, Inc.
Certified Public Accountants

MADEIRA CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The discussion and analysis of Madeira City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$1.54 million. Net assets of governmental activities increased \$1.55 million which represents a 24.4% increase from 2002. Net assets of business-type activities decreased \$0.01 million or 22.2% from 2002.
- General revenues accounted for \$13.99 million in revenue or 89.1% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.70 million or 10.9% of total revenues of \$15.69 million.
- Total assets of governmental activities increased by \$6.70 million as taxes receivable increased by \$.02 million and cash and other receivables increased by \$.86 million.
- The District had \$13.33 million in expenses related to governmental activities; \$.94 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13.95 million were adequate to provide for these programs.
- As the major fund, the General Fund had \$13.27 million in revenues and \$11.51 million in expenditures. The General Fund's fund balance increased from \$5.00 to \$6.67 million.

Using the Basic Financial Statements

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 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 *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those 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 District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* 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.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service, uniform school supplies and special enterprise are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *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 District's general government operations and the basic services it provides. Governmental fund information helps you 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 use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Assets						
Current and Other Assets	\$13,865,460	\$14,749,694	\$139,983	\$106,996	\$14,005,443	\$14,856,690
Capital Assets	<u>5,683,694</u>	<u>5,471,584</u>	<u>12,797</u>	<u>10,319</u>	<u>5,696,491</u>	<u>5,481,903</u>
Total Assets	<u>19,549,154</u>	<u>20,221,278</u>	<u>152,780</u>	<u>117,315</u>	<u>19,701,934</u>	<u>20,338,593</u>
Liabilities						
Long-Term Liabilities	5,278,535	5,445,320	10,936	12,905	5,289,471	5,458,225
Other Liabilities	<u>7,916,899</u>	<u>6,861,909</u>	<u>61,359</u>	<u>41,821</u>	<u>7,978,258</u>	<u>6,903,730</u>
Total Liabilities	<u>13,195,434</u>	<u>12,307,229</u>	<u>72,295</u>	<u>54,726</u>	<u>13,267,729</u>	<u>12,361,955</u>
Net Assets						
Invested in Capital						
Assets Net of Debt	316,971	394,812	12,797	10,319	329,768	405,131
Restricted	960,984	1,196,981	0	0	960,984	1,196,981
Unrestricted	<u>5,075,765</u>	<u>6,322,256</u>	<u>67,688</u>	<u>52,270</u>	<u>5,143,453</u>	<u>6,374,526</u>
Total Net Assets	<u>\$6,353,720</u>	<u>\$7,914,049</u>	<u>\$80,485</u>	<u>\$62,589</u>	<u>\$6,434,205</u>	<u>\$7,976,638</u>

Total assets increased \$.63 million. Equity in pooled cash and cash equivalents increased \$.83 million. Taxes receivable increased \$.02 million. Total liabilities decreased \$.91 million, resulting in a net asset increase of \$1.54 million.

The net assets of the District business-type activities decreased by \$.02 million. Management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
Revenues			
Program Revenues:			
Charges for Services	\$348,663	\$722,736	\$1,071,399
Operating Grants	536,433	44,728	581,161
Capital Grants	51,185	0	51,185
General Revenue:			
Property Taxes	9,291,383	0	9,291,383
Grants and Entitlements	4,179,116	0	4,179,116
Other	<u>480,173</u>	<u>34,845</u>	<u>515,018</u>
Total Revenues	<u>14,886,953</u>	<u>802,309</u>	<u>15,689,262</u>
Program Expenses:			
Instruction	7,645,952	0	7,645,952
Support Services:			
Pupil and Instructional Staff	1,611,207	0	1,611,207
General and School Administration,			
Fiscal and Business	1,310,085	0	1,310,085
Operations and Maintenance	967,360	0	967,360
Pupil Transportation	576,495	0	576,495
Central	126,299	0	126,299
Community Services	271,491	0	271,491
Extracurricular Activities	524,376	0	524,376
Interest and Fiscal Charges	293,359	0	293,359
Food Service	0	320,401	320,401
Uniform School Supply	0	95,017	95,017
Special Enterprise	<u>0</u>	<u>404,787</u>	<u>404,787</u>
Total Expenses	<u>13,326,624</u>	<u>820,205</u>	<u>14,146,829</u>
Change in Net Assets	<u>\$1,560,329</u>	<u>(\$17,896)</u>	<u>\$1,542,433</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 90% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 62% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 57% of governmental program expenses. Support services expenses were 34% of governmental program expenses. All other expenses, including interest expense were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Instruction	\$7,645,952	\$7,345,378
Support Services:		
Pupil and Instructional Staff	1,611,207	1,524,664
General and School Administration,		
Fiscal and Business	1,310,085	1,147,921
Operations and Maintenance	967,360	967,360
Pupil Transportation	576,495	549,224
Central	126,299	108,796
Community Services	271,491	19,656
Extracurricular Activities	524,376	433,985
Interest and Fiscal Charges	<u>293,359</u>	<u>293,359</u>
Total Expenses	<u>\$13,326,624</u>	<u>\$12,390,343</u>

Business-Type Activities

Business-type activities, include the food service operation, the sale of uniform school supplies and custom service supplies. These programs had revenues of \$.77 million and expenses of \$.84 million for fiscal year 2003.

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$14,975,883 and expenditures and other financing uses of \$13,354,601. The net change in fund balance for the year was \$1,621,282 or 25.7%.

General Fund Budgeting Highlights

The 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.

During the course of fiscal 2003, the District amended its general fund budget, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis (actual) revenue was \$12.34 million, over final budget estimates of \$12.29 million. Of this \$0.05 million difference, most was due to an under estimate for extracurricular revenue.

The District's ending unobligated cash balance was \$0.11 million above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$5.48 million invested in land, buildings, and equipment. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

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

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Land	\$402,391	\$402,391	\$0	\$0	\$402,391	\$402,391
Buildings and Improvements	4,473,932	4,335,590	0	0	4,473,932	4,335,590
Equipment	807,371	733,603	12,797	10,319	820,168	743,922
Total Net Assets	\$5,683,694	\$5,471,584	\$12,797	\$10,319	\$5,696,491	\$5,481,903

The decrease in capital assets is due to \$.30 million in depreciation expense. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2003, the District had \$5,076,778 in bonds outstanding, \$217,822 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities 2003	Governmental Activities 2002
General Obligation Bonds	\$5,040,000	\$5,225,000
Energy Conservation Note	<u>36,778</u>	<u>53,535</u>
Total	<u>\$5,076,778</u>	<u>\$5,278,535</u>

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

The District has committed itself to financial excellence for many years. This report represents the first report using this new financial reporting model. In addition, the District’s system of budgeting and internal controls is well regarded. All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barbara Brewer, Treasurer at Madeira City School District, 7465 Loannes Drive, Cincinnati, Ohio 45243. Or E-mail at brewer_b@hccanet.org.

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Madeira City School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$6,492,370	\$106,160	\$6,598,530
Receivables:			
Taxes	8,209,412	0	8,209,412
Intergovernmental	47,912	0	47,912
Inventory	0	836	836
Nondepreciable Capital Assets	402,391	0	402,391
Depreciable Capital Assets, Net	5,069,193	10,319	5,079,512
Total Assets	20,221,278	117,315	20,338,593
Liabilities:			
Accounts Payable	12,953	967	13,920
Accrued Wages and Benefits	1,690,849	40,734	1,731,583
Accrued Interest Payable	24,195	0	24,195
Deferred Revenue	5,133,912	120	5,134,032
Long-Term Liabilities:			
Due Within One Year	264,362	138	264,500
Due In More Than One Year	5,180,958	12,767	5,193,725
Total Liabilities	12,307,229	54,726	12,361,955
Net Assets:			
Invested in Capital Assets, Net of Related Debt	394,812	10,319	405,131
Restricted for:			
Debt Service	671,521	0	671,521
Capital Projects	217,842	0	217,842
Special Revenue	307,618	0	307,618
Unrestricted	6,322,256	52,270	6,374,526
Total Net Assets	\$7,914,049	\$62,589	\$7,976,638

See accompanying notes.

Madeira City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$6,163,996	\$75,125	\$18,518	\$23,914
Special	1,469,110	0	177,562	0
Vocational	8,474	0	5,455	0
Other	4,372	0	0	0
Support Services:				
Pupil	845,120	20,983	13,679	0
Instructional Staff	766,087	0	51,881	0
General Administration	36,730	148,944	0	0
School Administration	893,364	13,220	0	0
Fiscal	282,347	0	0	0
Business	97,644	0	0	0
Operations and Maintenance	967,360	0	0	0
Pupil Transportation	576,495	0	0	27,271
Central	126,299	0	17,503	0
Community Services	271,491	0	251,835	0
Extracurricular Activities	524,376	90,391	0	0
Interest and Fiscal Charges	293,359	0	0	0
Total Governmental Activities	13,326,624	348,663	536,433	51,185
Business-Type Activities:				
Food Service	320,401	266,809	44,728	0
Uniform School Supply	95,017	96,284	0	0
Special Enterprise	404,787	359,643	0	0
Total Business-Type Activities	820,205	722,736	44,728	0
Totals	\$14,146,829	\$1,071,399	\$581,161	\$51,185

General Revenues:
Property Taxes Levied for:
 General Purposes
 Debt Service
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Contributions
Investment Earnings
Other Revenues
Transfers-Internal Activities

Total General Revenues & Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$6,046,439)	\$0	(\$6,046,439)
(1,291,548)	0	(1,291,548)
(3,019)	0	(3,019)
(4,372)	0	(4,372)
(810,458)	0	(810,458)
(714,206)	0	(714,206)
112,214	0	112,214
(880,144)	0	(880,144)
(282,347)	0	(282,347)
(97,644)	0	(97,644)
(967,360)	0	(967,360)
(549,224)	0	(549,224)
(108,796)	0	(108,796)
(19,656)	0	(19,656)
(433,985)	0	(433,985)
(293,359)	0	(293,359)
(12,390,343)	0	(12,390,343)
0	(8,864)	(8,864)
0	1,267	1,267
0	(45,144)	(45,144)
0	(52,741)	(52,741)
(\$12,390,343)	(\$52,741)	(\$12,443,084)
8,889,191	0	8,889,191
402,192	0	402,192
4,179,116	0	4,179,116
646	0	646
121,980	7	121,987
377,547	14,838	392,385
(20,000)	20,000	0
13,950,672	34,845	13,985,517
1,560,329	(17,896)	1,542,433
6,353,720	80,485	6,434,205
\$7,914,049	\$62,589	\$7,976,638

Madeira City School District
 Balance Sheet
 Governmental Funds
 June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$5,316,820	\$1,175,550	\$6,492,370
Receivables:			
Taxes	7,845,349	364,063	8,209,412
Intergovernmental	0	47,912	47,912
Interfund	5,000	0	5,000
Total Assets	13,167,169	1,587,525	14,754,694
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	6,650	6,303	12,953
Accrued Wages and Benefits	1,550,091	91,130	1,641,221
Compensated Absences	38,082	0	38,082
Interfund Payable	0	5,000	5,000
Deferred Revenue	4,903,249	231,381	5,134,630
Total Liabilities	6,498,072	333,814	6,831,886
Fund Balances:			
Reserved for Encumbrances	9,304	69,962	79,266
Reserved for Property Tax Advances	2,942,100	133,400	3,075,500
Unreserved, Undesignated, Reported in:			
General Fund	3,717,693	0	3,717,693
Special Revenue Funds	0	270,191	270,191
Debt Service Funds	0	562,316	562,316
Capital Projects Funds	0	217,842	217,842
Total Fund Balances	6,669,097	1,253,711	7,922,808
Total Liabilities and Fund Balances	\$13,167,169	\$1,587,525	\$14,754,694

See accompanying notes.

Madeira City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balance \$7,922,808

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 5,471,584

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 718

In the statement of net assets, interest is accrued, whereas
in the governmental funds interest is reported as a
liability only when it will require the use of current
financial resources. (24,195)

Some liabilities, such as compensated absences and accrued benefits,
do not require the use of current financial resources and therefore
are not reported as liabilities in governmental funds. (380,088)

Long-term liabilities, are not due and payable in the current
period and therefore are not reported in the funds. (5,076,778)

Net Assets of Governmental Activities \$7,914,049

See accompanying notes.

Madeira City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,889,191	\$402,191	\$9,291,382
Tuition and Fees	16,642	0	16,642
Investment Earnings	120,819	1,161	121,980
Intergovernmental	4,156,181	609,836	4,766,017
Extracurricular Activities	58,195	259,007	317,202
Other Revenues	26,824	366,153	392,977
Total Revenues	13,267,852	1,638,348	14,906,200
Expenditures:			
Current:			
Instruction:			
Regular	5,858,781	96,657	5,955,438
Special	1,248,595	206,632	1,455,227
Vocational	0	8,474	8,474
Other	4,372	0	4,372
Support Services:			
Pupil	732,369	108,865	841,234
Instructional Staff	385,091	370,826	755,917
General Administration	36,730	0	36,730
School Administration	868,566	3,692	872,258
Fiscal	278,450	4,904	283,354
Business	97,401	0	97,401
Operations and Maintenance	966,476	4,657	971,133
Pupil Transportation	576,424	0	576,424
Central	88,536	30,837	119,373
Community Services	52,184	216,961	269,145
Extracurricular Activities	319,001	203,438	522,439
Debt Service:			
Principal Retirement	0	201,757	201,757
Interest and Fiscal Charges	0	294,277	294,277
Total Expenditures	11,512,976	1,751,977	13,264,953
Excess of Revenues Over (Under) Expenditures	1,754,876	(113,629)	1,641,247
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	35	0	35
Transfers In	0	69,648	69,648
Transfers (Out)	(89,648)	0	(89,648)
Total Other Financing Sources (Uses)	(89,613)	69,648	(19,965)
Net Change in Fund Balance	1,665,263	(43,981)	1,621,282
Fund Balance Beginning of Year	5,003,834	1,297,692	6,301,526
Fund Balance End of Year	\$6,669,097	\$1,253,711	\$7,922,808

See accompanying notes.

Madeira City School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balance - Total Governmental Funds \$1,621,282

Amounts reported for governmental activities in the
statement of activities 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 estimated useful lives as
depreciation expense. This is the amount by which depreciation
exceeded capital asset additions. (212,110)

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues in
the funds. 718

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets. 201,757

In the statement of activities, interest is accrued, whereas in
governmental funds, an interest expenditure is reported when due. 918

Some expenses reported in the statement of activities,
such as compensated absences and accrued benefits,
do not require the use of current financial
resources and therefore are not reported as expenditures
in governmental funds. (52,236)

Change in Net Assets of Governmental Activities \$1,560,329

See accompanying notes.

Madeira City School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-Type Activity Enterprise Funds
Assets:	
Equity in Pooled Cash and Investments	\$106,160
Inventory	836
Total Current Assets	106,996
Depreciable Capital Assets, Net	10,319
Total Assets	117,315
Liabilities:	
Current Liabilities:	
Accounts Payable	967
Accrued Wages and Benefits	40,734
Compensated Absences	138
Deferred Revenue	120
Total Current Liabilities	41,959
Long-Term Liabilities:	
Compensated Absences	12,767
Total Liabilities	54,726
Net Assets:	
Invested in Capital Assets, Net of Related Debt	10,319
Unrestricted	52,270
Total Net Assets	\$62,589

See accompanying notes.

Madeira City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Operating Revenues:	
Charges for Services	\$722,736
Other Revenues	14,838
Total Operating Revenues	<u>737,574</u>
Operating Expenses:	
Personal Services	419,024
Contactual Services	248,656
Materials and Supplies	148,915
Depreciation	2,478
Other Expenses	1,132
Total Operating Expenses	<u>820,205</u>
Operating Income (Loss)	<u>(82,631)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	7
Donated Commodities	16,171
Operating Grants	28,557
Total Non-Operating Revenues (Expenses)	<u>44,735</u>
Income (Loss) Before Contributions & Transfers	(37,896)
Transfers In	<u>20,000</u>
Change in Net Assets	(17,896)
Net Assets Beginning of Year	<u>80,485</u>
Net Assets End of Year	<u><u>\$62,589</u></u>

See accompanying notes.

Madeira City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$737,574
Cash Payments to Employees	(419,781)
Cash Payments to Suppliers	(396,584)
Other Cash Payments	(1,132)
Net Cash Provided (Used) by Operating Activities	<u>(79,923)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	31,991
Payments from Other Funds	20,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>51,991</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>7</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>7</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(27,925)
Cash and Cash Equivalents Beginning of Year	<u>134,085</u>
Cash and Cash Equivalents End of Year	<u><u>106,160</u></u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(82,631)
Adjustments:	
Depreciation	2,478
Donated Commodities	16,171
Changes in Assets & Liabilities:	
(Increase) Decrease in Inventory	1,628
Increase (Decrease) in Payables	(15,378)
Increase (Decrease) in Accrued Liabilities	(757)
Increase (Decrease) in Deferred Revenue	(1,434)
Net Cash Provided (Used) by Operating Activities	<u><u>(\$79,923)</u></u>
Schedule of Noncash Capital Activities:	
During the fiscal year, the Food Service Fund received contributed food commodities valued at	\$16,171

See accompanying notes.

Madeira City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$1,227	\$44,289
Total Assets	<u>1,227</u>	<u>\$44,289</u>
Liabilities:		
Accounts Payable	0	117
Other Liabilities	0	44,172
Total Liabilities	<u>0</u>	<u>\$44,289</u>
Net Assets:		
Held in Trust for Scholarships	<u>1,227</u>	
Total Net Assets	<u>\$1,227</u>	

See accompanying notes.

Madeira City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust</u>
Additions:	
Donations	<u>\$1,000</u>
Total Additions	<u>1,000</u>
Deductions:	
Scholarships	<u>1,500</u>
Total Deductions	<u>1,500</u>
Change in Net Assets	(500)
Net Assets Beginning of Year	<u>1,727</u>
Net Assets End of Year	<u><u>\$1,227</u></u>

See accompanying notes.

**MADEIRA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

1. DESCRIPTION OF THE DISTRICT

The District was chartered by the Ohio State Legislature. In 1949 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 32.88 non-certificated personnel and 107.18 certificated full time teaching and 7 administrative personnel to provide services to students and other community members.

The District is the 2nd smallest in Hamilton County in terms of enrollment. It currently operates 1 elementary school, 1 middle school (grades 4-6), 1 junior/senior high school (grades 7-12).

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The following activities are included within the reporting entity:

Parochial Schools

Within the School District boundaries, St. Gertrude Elementary School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of this State money by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four organizations, of which three are defined as jointly governed organizations, and the fourth as an insurance purchasing pool. These organizations include the Hamilton/Clermont Cooperative Association/Unified Purchasing Association, Great Oaks Joint Vocational School, Hamilton/Clermont Cooperative Association/Computer Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. For business-type activities and proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of 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 District finances and meets the cash flow needs of its proprietary activities.

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus 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 are the District's major governmental funds:

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

3. 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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the actual 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. 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 year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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 year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred 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/Expenditures

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 operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 the governmental funds.

CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$121,987.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The 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. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20 years	N/A
Equipment	5 - 20 years	5 - 20 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liabilities are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in Proprietary Funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	15-20 days for each service year depending on length of service.	10-15 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	15-20 days	10-15 days

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
Sick Leave			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	220	220	220
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, prepayments, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has 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."

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 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. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$4,986,295	\$1,297,692	\$6,283,987
Fund Reclassification	<u>17,539</u>	<u>0</u>	<u>17,539</u>
Adjusted Fund Balances, June 30, 2002	<u>\$5,003,834</u>	<u>\$1,297,692</u>	<u>\$6,301,526</u>
GASB 34 Adjustments:			
Capital Assets			\$5,683,694
Accrued Interest Payable			(25,110)
Compensated Absences Payable			(264,871)
Accrued Wages and Benefits			(62,984)
Long Term Liabilities			<u>(5,278,535)</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$6,353,720</u>

At June 30, 2002, Enterprise Funds were restated due to prior period adjustments to fixed assets. This restatement had the following effect on fund equity as it was previously reported:

	<u>Enterprise Funds</u>
Fund Equity, June 30, 2002	\$104,348
Prior Period Adjustment	<u>(23,863)</u>
Adjusted Net Assets, June 30, 2002	<u>\$80,485</u>

4. CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Deposits – At the year end, the carrying amount of the District's deposits was \$2,871,956. The bank balance of deposits was \$3,053,225 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$2,953,225 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Federal Agency Security	\$0	\$3,767,415	\$0	\$3,767,415
Money Market*	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,675</u>
Total Investments	<u>\$0</u>	<u>\$3,767,415</u>	<u>\$0</u>	<u>\$3,772,090</u>

*The District's Investment in the Money Market is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$2,942,100 for General Fund and \$133,400 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations. The amount available for advance at June 30, 2002 was \$2,024,600 for General Fund and \$111,400 for Debt Service, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2002 operations.

On a full 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 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$233,832,500
Public Utility Personal	4,367,960
Tangible Personal Property	<u>5,316,330</u>
Total	<u>\$243,516,790</u>

6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. 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.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
Land	\$402,391	\$0	\$0	\$402,391
Buildings and Improvements	7,611,632	0	0	7,611,632
Equipment	<u>2,208,901</u>	<u>83,020</u>	<u>0</u>	<u>2,291,921</u>
Totals at Historical Cost	<u>\$10,222,924</u>	<u>\$83,020</u>	<u>\$0</u>	<u>\$10,305,944</u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,137,700	138,342	0	3,276,042
Equipment	<u>1,401,530</u>	<u>156,788</u>	<u>0</u>	<u>1,558,318</u>
Total Accumulated Depreciation	<u>\$4,539,230</u>	<u>\$295,130</u>	<u>\$0</u>	<u>\$4,834,360</u>
Governmental Activities Capital Assets, Net	<u>\$5,683,694</u>	<u>(\$212,110)</u>	<u>\$0</u>	<u>\$5,471,584</u>
Business-Type Activities				
Equipment	<u>\$55,447</u>	<u>\$0</u>	<u>\$0</u>	<u>\$55,447</u>
Total at Historical Cost	<u>\$55,447</u>	<u>\$0</u>	<u>\$0</u>	<u>\$55,447</u>
Less Accumulated Depreciation:				
Equipment	<u>\$42,650</u>	<u>\$2,478</u>	<u>\$0</u>	<u>\$45,128</u>
Total Accumulated Depreciation	<u>\$42,650</u>	<u>\$2,478</u>	<u>\$0</u>	<u>\$45,128</u>
Business-Type Activities Capital Assets, Net	<u>\$12,797</u>	<u>(\$2,478)</u>	<u>\$0</u>	<u>\$10,319</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$219,256
Special	6,842
Support Services:	
Pupil	1,313
Instructional Staff	7,346
School Administration	17,941
Fiscal	1,087
Business	95
Operations and Maintenance	21,144
Pupil Transportation	71
Central	6,926
Community Services	2,339
Extracurricular Activities	<u>10,770</u>
Total Depreciation Expense	<u>\$295,130</u>

8. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds and Notes:						
School Improvement 1997 5.75%	12/01/16	\$5,225,000	\$ 0	\$185,000	\$5,040,000	\$200,000
Energy Conservation Note 2000 5.00%	6/30/05	<u>53,535</u>	<u>0</u>	<u>16,757</u>	<u>36,778</u>	<u>17,822</u>
Total General Obligation Bonds		5,278,535	0	201,757	5,076,778	217,822
Compensated Absences		<u>264,868</u>	<u>103,674</u>	<u>0</u>	<u>368,542</u>	<u>46,540</u>
Total Governmental Activities Long-Term Liabilities		<u>\$5,543,403</u>	<u>\$103,674</u>	<u>\$201,757</u>	<u>\$5,445,320</u>	<u>\$264,362</u>
<u>Business-Type Activities</u>						
Compensated Absences		<u>\$10,936</u>	<u>\$1,969</u>	<u>\$ 0</u>	<u>\$12,905</u>	<u>\$138</u>

General obligation bonds and notes will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>General Obligation Bonds and Notes</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30,</u>			
2004	\$217,822	\$193,793	\$411,615
2005	338,956	181,845	520,801
2006	335,000	168,184	503,184
2007	355,000	153,439	508,439
2008	380,000	137,255	517,255
2009-2013	2,290,000	371,282	2,661,282
2014-2017	<u>1,160,000</u>	<u>1,058,565</u>	<u>2,218,565</u>
Totals	<u>\$5,076,778</u>	<u>\$2,264,363</u>	<u>\$7,341,141</u>

9. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 9% 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% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$229,740, \$173,088, and \$151,734 respectively; 50.2% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. 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 members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$885,636, \$853,284, and \$847,656 respectively; 82.8% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

10. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$284,669 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

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

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$140,141 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

11. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

12. JOINTLY GOVERNED ORGANIZATIONS

Hamilton Clermont Cooperative Association/Unified Purchasing Association - The Hamilton Clermont Cooperative Association Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

Great Oaks Joint Vocational School - The Great Oaks Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. The Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Joint Vocational School, John Wahle, who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Hamilton/Clermont Cooperative Association - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the H/CCA, Al Porter, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003, the District contracted with The Cincinnati Insurance Co., Crum & Forster Insurance, and Nationwide Insurance Company for property and general liability insurance and boiler machinery insurance.

Boiler and machinery coverage has a \$250.00 deductible. General liability is provided by Indiana Insurance Company with \$2,000,000 each occurrence \$5,000,000 aggregate limit. Vehicles are covered by Nationwide Insurance Company with a \$500 deductible. Public official bond insurance is provided by Ohio Casualty Insurance Company. The Treasurer, is covered by a bond in the amount of \$50,000. The Superintendent and Board President are covered by bonds in the amount of \$20,000 each. The District has elected to provide employee medical, dental and life insurance through Greater Cincinnati Insurance Consortium. The employees share the cost of the monthly premium for the coverage with the Board.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

14. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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 Immediate Past President of OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee for the GRP to cover the costs of administering the program.

15. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

16. COMPLIANCE AND ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue	
School Reading Incentive Award	\$1,726
Title VI B	11,687

17. FUND BALANCE RESERVES FOR 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 the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2002	(\$58,983)	\$ 0
Current Year Set-aside Requirement	207,170	207,170
Qualified Disbursements	(242,323)	0
Current Year Offsets	<u>0</u>	<u>(207,170)</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>(\$94,136)</u>	<u>\$ 0</u>
Restricted Cash as of June 30, 2003	<u>\$ 0</u>	

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$288,144, which exceeded the required set-aside and reserve balance. Qualifying disbursements for textbook reserve during the year were \$242,323, which exceeded the required set aside and \$94,136 may be carried forward to use in future years. Senate Bill 345 eliminated the Budget Stabilization Reserve.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>
General Fund	\$5,000	
Special Revenue Fund:		
School Reading Incentive Award	_____	<u>\$5,000</u>
	<u>\$5,000</u>	<u>\$5,000</u>

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

Madeira City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,947,925	\$7,971,692	\$7,971,692	\$0
Tuition and Fees	16,592	16,642	16,642	0
Interest	120,459	120,819	120,819	0
Intergovernmental	4,143,789	4,151,308	4,156,181	4,873
Extracurricular Activities	52,229	0	52,385	52,385
Other Revenues	24,506	23,355	24,579	1,224
Total Revenues	12,305,500	12,283,816	12,342,298	58,482
Expenditures:				
Current:				
Instruction:				
Regular	5,775,710	5,762,007	5,749,799	12,208
Special	1,206,747	1,204,345	1,201,333	3,012
Other	9,233	11,447	9,192	2,255
Support Services:				
Pupil	720,095	726,443	716,864	9,579
Instructional Staff	379,287	392,413	377,585	14,828
General Administration	36,896	36,813	36,730	83
School Administration	905,664	901,811	901,601	210
Fiscal	288,341	287,054	287,047	7
Business	92,054	93,571	91,641	1,930
Operations and Maintenance	991,789	987,602	987,340	262
Pupil Transportation	579,022	576,432	576,424	8
Central	89,007	90,011	88,608	1,403
Community Services	2,719	2,707	2,707	0
Extracurricular Activities	301,339	303,947	299,987	3,960
Total Expenditures	11,377,903	11,376,603	11,326,858	49,745
Excess of Revenues Over (Under) Expenditures	927,597	907,213	1,015,440	108,227
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	35	35	35	0
Advances In	20,140	20,200	20,200	0
Advances (Out)	(5,023)	(5,000)	(5,000)	0
Transfers In	1,456	1,460	1,460	0
Transfers (Out)	(91,519)	(91,108)	(91,108)	0
Total Other Financing Sources (Uses)	(74,911)	(74,413)	(74,413)	0
Net Change in Fund Balance	852,686	832,800	941,027	108,227
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,388,905	4,388,905	4,388,905	0
Fund Balance End of Year	\$5,241,591	\$5,221,705	\$5,329,932	\$108,227

See accompanying notes to required supplementary information.

MADEIRA CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,665,263
Net Adjustment for Revenue Accruals	(903,894)
Net Adjustment for Expenditure Accruals	195,482
Encumbrances	<u>(15,824)</u>
Budget Basis	<u>\$941,027</u>

MADEIRA CITY SCHOOL DISTRICT

Single Audit Reports

June 30, 2003



PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

8260 NORTHCREEK DRIVE, STE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
3931 SOUTH DIXIE DRIVE / DAYTON, OH 45439 • (937) 294-1505 • FAX (937) 294-1507

**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

January 22, 2004

To the Board of Education:

We have audited the basic financial statements of the Madeira City School District, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 22, 2004, wherein we noted the District adopted Government Accounting Standards Board 34, 37 and 38 and Government Accounting Standards Board Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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



Plattenburg & Associates, Inc.
Certified Public Accountants



Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

January 22, 2004

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated January 22, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Plattenburg & Associates, Inc.
Certified Public Accountants

MADEIRA CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	03-PU	10.550	\$0	\$20,014	\$0	\$20,014
National School Lunch Program	04-PU	10.555	31,480	0	31,998	0
Total U.S. Department of Agriculture - Nutrition Cluster			31,480	20,014	31,998	20,014
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B	6B-SF	84.027	106,210	0	131,288	0
Preschool Grant	PG-S1	84.173	6,759	0	6,759	0
Total U.S. Special Education Cluster			112,969	0	138,047	0
Eisenhower Grant	MS-S1	84.281	0	0	6,407	0
Title I	C1-S0	84.010	48,951	0	60,237	0
Drug Free Schools	DR-S1	84.186	6,106	0	7,137	0
Teacher & Principal Training & Recruiting	TR-S1	84.367	27,353	0	27,048	0
Goals 2000	G2-S4	84.276	1,505	0	101,658	0
Class Size Reduction	CR-S1	84.340	0	0	5,932	0
School Renovation, Idea and Technology	AT-S4	84.352	9,775	0	9,822	0
Title V	C2-S1	84.298	7,387	0	8,541	0
Total Department of Education			214,046	0	364,829	0
Total Federal Assistance			\$245,526	\$20,014	\$396,827	\$20,014

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.

n/a -- Information not available

MADEIRA CITY SCHOOL DISTRICT

June 30, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

MADEIRA CITY SCHOOL DISTRICT
JUNE 30, 2003

SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS
OMB CIRCULAR A-133

Madeira City School District had no prior audit findings or questioned costs.



**Auditor of State
Betty Montgomery**

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MADEIRA CITY SCHOOL DISTRICT

HAMILTON 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
APRIL 20, 2004**