



**Auditor of State
Betty Montgomery**

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Marysville Exempted Village School District
Union County
1000 Edgewood Drive
Marysville, Ohio 43040

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 Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

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 Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, 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* and changed its capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 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.

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

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

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

Betty Montgomery
Auditor of State

February 9, 2004

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

The discussion and analysis of Marysville Exempted Village 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 financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2003 are as follows:

- ❑ In total, net assets decreased \$7,919,619. Net assets of governmental activities decreased \$7,671,293, which represents a 51.5% decrease from 2002. Net assets of business-type activities decreased \$248,326 or 182.6% from 2002.
- ❑ General revenues accounted for \$36,266,055 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,901,411 or 10% of total revenues of \$40,167,466.
- ❑ The District had \$45,956,373 in expenses related to governmental activities; only \$2,148,468 of these expenses were offset by program specific charges for services, grants or contributions. General revenues were not adequate to provide for these programs and it was necessary to make use of a portion of net assets to cover the expenses.
- ❑ Among major funds, the general fund had \$31,458,194 in revenues and \$35,541,289 in expenditures. The general fund's fund balance decreased \$4,046,156 to a deficit of \$989,937. The decrease is a result of increased expenditures for additional teaching personnel to teach the increasing student population.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using the accrual basis of accounting similar to those used by most private-sector companies. The statement of net assets includes all of the District's assets and liabilities. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. The change in net-assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District are divided into two categories:

- *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, rotary and day care are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's major funds; while the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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 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.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

Unaudited

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency and private purpose. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Current and other assets	\$33,054,050	(\$366,223)	\$32,687,827
Capital assets, Net	54,929,092	517,356	55,446,448
Total assets	87,983,142	151,133	88,134,275
Long-term debt outstanding	47,073,527	39,653	47,113,180
Other liabilities	33,677,599	223,828	33,901,427
Total liabilities	80,751,126	263,481	81,014,607
Net assets			
Invested in capital assets, net of related debt	8,334,901	517,356	8,852,257
Restricted	1,214,931	0	1,214,931
Unrestricted	(2,317,816)	(629,704)	(2,947,520)
Total net assets	\$7,232,016	(\$112,348)	\$7,119,668

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues			
Program revenues:			
Charges for Services and Sales	\$545,911	\$1,446,258	\$1,992,169
Operating Grants and Contributions	1,543,453	306,685	1,850,138
Capital Grants and Contributions	59,104	0	59,104
General revenues:			
Property Taxes	22,140,358	0	22,140,358
Grants and Entitlements	13,469,907	0	13,469,907
Other	655,790	0	655,790
Total revenues	38,414,523	1,752,943	40,167,466
Program Expenses			
Instruction	24,603,530	0	24,603,530
Support Services:			
Pupils	2,537,086	0	2,537,086
Instructional Staff	4,169,387	0	4,169,387
Board of Education	9,798	0	9,798
Administration	2,946,955	0	2,946,955
Fiscal Services	874,480	0	874,480
Business	484,862	0	484,862
Operation and Maintenance of Plant	3,795,521	0	3,795,521
Pupil Transportation	2,207,824	0	2,207,824
Central	245,919	0	245,919
Operation of Non-Instructional Services	101,786	0	101,786
Extracurricular Activities	973,864	0	973,864
Debt Service:			
Interest and Fiscal Charges	3,005,361	0	3,005,361
Food Service	0	1,593,675	1,593,675
Uniform School Supplies	0	73,098	73,098
Rotary-Special Services	0	5,218	5,218
Special Enterprise-Day Care	0	458,721	458,721
Total expenses	45,956,373	2,130,712	48,087,085
Change in Net Assets before transfers	(7,541,850)	(377,769)	(7,919,619)
Transfers	(129,443)	129,443	0
Total Change in Net Assets	(7,671,293)	(248,326)	(7,919,619)
Beginning Net Assets	14,903,309	135,978	15,039,287
Total Change in Net Assets	\$7,232,016	(\$112,348)	\$7,119,668

Governmental Activities

Net assets of the District's governmental activities decreased by \$7,671,293. This was due to the increase in teaching personnel.

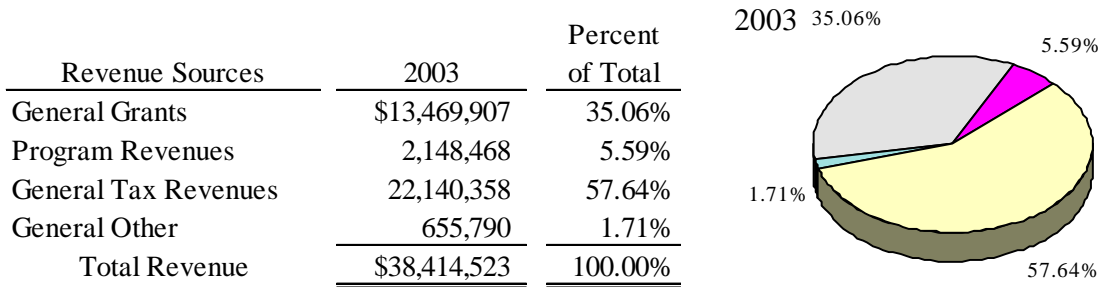
MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the 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.

Property taxes made up 58% of revenues for governmental activities for Marysville Exempted Village Schools in fiscal year 2003. The District's reliance upon tax revenues is demonstrated by the following graph:



Business-Type Activities

Net assets of the business-type activities decreased by \$248,326. Business activities receive no support from tax revenues and remain self-supporting.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund deficit of \$1,277,929, which is below last year's total of \$3,599,407. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2003 and 2002.

	Fund Balance June 30, 2003	Fund Balance June 30, 2002	Increase (Decrease)
General	(\$989,937)	\$3,056,219	(\$4,046,156)
Bond Retirement	262,445	993,734	(731,289)
Permanent Improvement	1,331,223	1,530,659	(199,436)
Building Acquisition and Construction	(2,240,521)	(2,344,651)	104,130
Other Governmental	358,861	363,446	(4,585)
Total	(\$1,277,929)	\$3,599,407	(\$4,877,336)

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

General Fund – The District's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2003 <u>Revenues</u>	2002 <u>Revenues</u>	Increase <u>(Decrease)</u>
Taxes	\$17,842,429	\$16,988,725	\$853,704
Tuition	115,732	129,091	(13,359)
Investment Earnings	160,168	14,918	145,250
Extracurricular Activities	0	364,351	(364,351)
Class Materials and Fees	106,513	100,895	5,618
Transportation Fees	16,608	0	16,608
Intergovernmental - State	12,893,232	11,833,832	1,059,400
Intergovernmental - Federal	15,788	4,638	11,150
All Other Revenue	307,724	151,734	155,990
Total	<u>\$31,458,194</u>	<u>\$29,588,184</u>	<u>\$1,870,010</u>

General Fund revenues in 2003 increased approximately 6% compared to revenues in fiscal year 2002. The primary factors contributing to this increase included an increase in the personal property tax revenues and the State's foundation revenues.

	2003 <u>Expenditures</u>	2002 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Instruction	\$20,670,712	\$18,247,805	\$2,422,907
Supporting Services:			
Pupils	2,155,394	1,890,082	265,312
Instructional Staff	2,900,715	2,407,215	493,500
Board of Education	9,798	153,616	(143,818)
Administration	2,681,688	2,383,812	297,876
Fiscal Services	758,445	682,361	76,084
Business	481,851	210,027	271,824
Operation & Maintenance of Plant	3,120,682	2,932,506	188,176
Pupil Transportation	1,585,298	1,597,638	(12,340)
Central	189,070	4,959	184,111
Operation of Non-Instructional Services	5,667	1,650	4,017
Extracurricular Activities	655,341	583,687	71,654
Capital Outlay	5,158	0	5,158
Debt Service			
Principal Retirement	255,000	0	255,000
Interest and Fiscal Charges	66,470	0	66,470
Total	<u>\$35,541,289</u>	<u>\$31,095,358</u>	<u>\$4,445,931</u>

The expenditures increased by \$4,445,931 or 14.3% compared to the prior year mostly due to the 10% increase in District personnel.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

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 year 2003 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$32.4 million, above original budget estimates of \$30.5 million. Most of this \$1.9 million difference was due to an under estimation of State Foundation revenues. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2003 the District had \$55,446,448, net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$54,929,092 was related to governmental activities and \$517,356 to the business-type activities. The following table shows fiscal year 2002 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
Land	\$1,640,099	\$1,640,099	\$0
Land Improvements	3,075,210	2,694,259	380,951
Buildings and Improvements	54,999,869	49,160,569	5,839,300
Furniture, Fixtures and Equipment	13,359,374	11,828,755	1,530,619
Vehicles	2,004,239	1,836,388	167,851
Construction in Progress	619,406	6,988,016	(6,368,610)
Less: Accumulated Depreciation	(20,769,105)	(17,509,406)	(3,259,699)
Totals	\$54,929,092	\$56,638,680	(\$1,709,588)

	Business-Type Activities		Increase (Decrease)
	2003	2002	
Furniture and Equipment	\$1,022,035	\$886,592	\$135,443
Less: Accumulated Depreciation	(504,679)	(444,789)	(59,890)
Totals	\$517,356	\$441,803	\$75,553

The primary increase occurred in buildings and improvements, which included final payouts for the Marysville Exempted Village High School building and the new elementary school, Navin. Investment in furniture, fixtures and equipment increased primarily as a result of new equipment in the new schools.

Additional information on the District's capital assets can be found in Note 10.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

Debt

At June 30, 2003, the District had \$47.1 million in bonds, notes, loans, capital leases and compensated absences outstanding, \$1,490,511 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2003:

	<u>2003</u>	<u>2002</u>
Governmental Activities:		
General Obligation Bond:		
School Improvement	\$41,597,077	\$41,817,593
Installment Notes Payable	1,105,000	1,360,000
Early Retirement Incentive Payable	0	15,000
Capital Leases Payable	2,080,511	237,831
Compensated Absences	<u>2,290,939</u>	<u>2,256,784</u>
Total Governmental Activities	47,073,527	45,687,208
Business-Type Activities:		
Compensated Absences	<u>39,653</u>	<u>32,818</u>
Totals	<u>\$47,113,180</u>	<u>\$45,720,026</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2003, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

ECONOMIC FACTORS

The District relies on its property taxes and State Foundation Funds to provide the funds necessary to maintain its educational programs. The Marysville School district continues to be one of the fastest growing school districts in Central Ohio with a 7% growth rate per year. We anticipate an additional 300+ students during the 2003-2004 school year. This growth will bring the total school population to 4,800 students an increase of 1,400 students since 1997. Our graduating class in 2002 was the last class under 300 students and the incoming kindergarten class in the fall of 2003 was the first class over 400 students.

Union County is the third fastest growing county in Ohio and Marysville is the ninth fastest growing city in Ohio. We have had eight new housing developments in the past six years and the City of Marysville recently annexed 2,888 acres for commercial and residential development. Marysville industrial and commercial tax base is increasing and we have one of the lowest unemployment rates in Ohio. Honda, Scotts Company, Nestle and Denison have all recently expanded operations in Marysville.

The assessed valuation for Marysville schools went from \$621,030,330 in 2001 to \$658,967,265 in 2002 to \$678,597,060 in 2003.

In 2003, Marysville Schools passed three levies, a 5 mill permanent improvement renewal for a continuing period, a 7.8 mill general operating renewal for a continuing period and a 5 mill new general operating for a five year period.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

In conclusion, the Marysville Exempted Village School District has committed itself to financial excellence for many years.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, 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 Dolores Cramer, Treasurer of Marysville Exempted Village School District.

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets **June 30, 2003**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,112,626	\$ 97,832	\$ 2,210,458
Investments	3,591,423	0	3,591,423
Receivables:			
Taxes	26,528,553	0	26,528,553
Accounts	67,651	2,046	69,697
Intergovernmental	151,329	29,897	181,226
Interest	29,912	0	29,912
Internal Balance	509,774	(509,774)	0
Inventory of Supplies	0	13,776	13,776
Prepaid Items	62,782	0	62,782
Capital Assets, Net of Accumulated Depreciation	54,929,092	517,356	55,446,448
Total Assets	87,983,142	151,133	88,134,275
Liabilities:			
Accounts Payable	888,589	5,002	893,591
Accrued Wages and Benefits	3,053,698	114,636	3,168,334
Intergovernmental Payable	929,200	104,190	1,033,390
Claims Payable	543,985	0	543,985
Deferred Revenue	24,697,995	0	24,697,995
Accrued Interest Payable	164,132	0	164,132
General Obligation Notes Payable	3,400,000	0	3,400,000
Long Term Liabilities:			
Due Within One Year	1,490,511	0	1,490,511
Due in More Than One Year	45,583,016	39,653	45,622,669
Total Liabilities	80,751,126	263,481	81,014,607
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,334,901	517,356	8,852,257
Restricted For:			
Capital Projects	998,274	0	998,274
Debt Service	170,840	0	170,840
Other Purposes	45,817	0	45,817
Unrestricted (Deficit)	(2,317,816)	(629,704)	(2,947,520)
Total Net Assets	\$ 7,232,016	\$ (112,348)	\$ 7,119,668

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Activities **For the Fiscal Year Ended June 30, 2003**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 24,603,530	\$ 254,405	\$ 709,532	\$ 50,104
Support Services:				
Pupils	2,537,086	0	12,245	0
Instructional Staff	4,169,387	0	424,854	9,000
Board of Education	9,798	0	0	0
Administration	2,946,955	0	157,294	0
Fiscal Services	874,480	0	19,216	0
Business	484,862	0	0	0
Operation and Maintenance of Plant	3,795,521	0	5,245	0
Pupil Transportation	2,207,824	16,608	58,343	0
Central	245,919	0	16,793	0
Operation of Non-Instructional Services	101,786	0	135,977	0
Extracurricular Activities	973,864	274,898	3,954	0
Debt Service:				
Interest and Fiscal Charges	3,005,361	0	0	0
Total Governmental Activities	45,956,373	545,911	1,543,453	59,104
Business-Type Activities:				
Food Service	1,593,675	1,014,648	306,685	0
Uniform School Supplies	73,098	86,581	0	0
Rotary - Special Services	5,218	4,084	0	0
Special Enterprise-Day Care	458,721	340,945	0	0
Total Business-Type Activities	2,130,712	1,446,258	306,685	0
Totals	\$ 48,087,085	\$ 1,992,169	\$ 1,850,138	\$ 59,104

General Revenues

Property Taxes Levied for:

- General Purposes
- Debt Service
- Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated)

Net Assets End of Year

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (23,589,489)	\$ 0	\$ (23,589,489)
(2,524,841)	0	(2,524,841)
(3,735,533)	0	(3,735,533)
(9,798)	0	(9,798)
(2,789,661)	0	(2,789,661)
(855,264)	0	(855,264)
(484,862)	0	(484,862)
(3,790,276)	0	(3,790,276)
(2,132,873)	0	(2,132,873)
(229,126)	0	(229,126)
34,191	0	34,191
(695,012)	0	(695,012)
<u>(3,005,361)</u>	<u>0</u>	<u>(3,005,361)</u>
<u>(43,807,905)</u>	<u>0</u>	<u>(43,807,905)</u>
0	(272,342)	(272,342)
0	13,483	13,483
0	(1,134)	(1,134)
0	(117,776)	(117,776)
<u>0</u>	<u>(377,769)</u>	<u>(377,769)</u>
<u>\$ (43,807,905)</u>	<u>\$ (377,769)</u>	<u>\$ (44,185,674)</u>
17,840,496	0	17,840,496
2,018,219	0	2,018,219
2,281,643	0	2,281,643
13,469,907	0	13,469,907
189,414	0	189,414
466,376	0	466,376
<u>(129,443)</u>	<u>129,443</u>	<u>0</u>
<u>36,136,612</u>	<u>129,443</u>	<u>36,266,055</u>
(7,671,293)	(248,326)	(7,919,619)
<u>14,903,309</u>	<u>135,978</u>	<u>15,039,287</u>
<u>\$ 7,232,016</u>	<u>\$ (112,348)</u>	<u>\$ 7,119,668</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Balance Sheet Governmental Funds June 30, 2003

	General	Bond Retirement	Permanent Improvement	Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and Cash Equivalents	\$ 529,913	\$ 43,902	\$ 385,857	\$ 555,491	\$ 434,739	\$ 1,949,902
Investments	1,261,008	103,840	912,668	1,313,907	0	3,591,423
Receivables:						
Taxes	21,641,135	2,259,917	2,627,501	0	0	26,528,553
Accounts	63,516	0	0	2,000	0	65,516
Intergovernmental	0	0	0	0	151,329	151,329
Interest	27,398	0	0	2,514	0	29,912
Due from Other Funds	0	0	0	2,245	0	2,245
Interfund Loan Receivable	280,670	0	0	0	0	280,670
Prepaid Items	60,636	0	1,967	0	179	62,782
Advance to Other Funds	252,232	0	0	0	0	252,232
Total Assets	\$ 24,116,508	\$ 2,407,659	\$ 3,927,993	\$ 1,876,157	\$ 586,247	\$ 32,914,564
Liabilities:						
Accounts Payable	\$ 54,805	\$ 0	\$ 94,666	\$ 712,356	\$ 26,762	\$ 888,589
Accrued Wages and Benefits	2,951,980	0	0	0	101,718	3,053,698
Intergovernmental Payable	624,695	0	0	0	24,232	648,927
Due to Other Funds	659,992	0	0	0	2,543	662,535
Interfund Loans Payable	0	0	0	0	11,351	11,351
Deferred Revenue - Taxes	20,807,422	2,145,214	2,502,104	0	0	25,454,740
Deferred Revenue	7,551	0	0	0	60,780	68,331
Accrued Interest Payable	0	0	0	4,322	0	4,322
General Obligation Notes Payable	0	0	0	3,400,000	0	3,400,000
Total Liabilities	25,106,445	2,145,214	2,596,770	4,116,678	227,386	34,192,493
Fund Balances:						
Reserved for Encumbrances	306,651	0	264,039	857,043	45,089	1,472,822
Reserved for Prepaid Items	60,636	0	1,967	0	179	62,782
Reserved for Debt Service	0	147,742	0	0	0	147,742
Reserved for Property Taxes	833,713	114,703	125,397	0	0	1,073,813
Unreserved, Undesignated in:						
General Fund (Deficit)	(2,190,937)	0	0	0	0	(2,190,937)
Special Revenue Funds	0	0	0	0	296,950	296,950
Capital Projects Funds	0	0	939,820	(3,097,564)	16,643	(2,141,101)
Total Fund Balances	(989,937)	262,445	1,331,223	(2,240,521)	358,861	(1,277,929)
Total Liabilities and Funds Balances	\$ 24,116,508	\$ 2,407,659	\$ 3,927,993	\$ 1,876,157	\$ 586,247	\$ 32,914,564

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30, 2003***

Total Governmental Fund Balances \$ (1,277,929)

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 54,929,092

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 825,076

Internal Service Funds are used by management to charge the
costs of insurance to individual funds. The assets and liabilities
of the internal service funds are included in governmental
activities in the statement of net assets. 269,387

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds. (47,513,610)

Net Assets of Governmental Activities \$ 7,232,016

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2003

	General	Bond Retirement	Permanent Improvement	Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 17,842,429	\$ 2,018,219	\$ 2,281,643	\$ 0	\$ 0	\$ 22,142,291
Tuition	115,732	0	0	0	0	115,732
Transportation Fees	16,608	0	0	0	0	16,608
Investment Earnings	160,168	14,912	0	15,775	0	190,855
Extracurricular Activities	0	0	0	0	388,826	388,826
Class Materials and Fees	106,513	0	0	0	0	106,513
Intergovernmental - State	12,893,232	408,995	202,503	0	341,651	13,846,381
Intergovernmental - Federal	15,788	0	0	0	1,200,620	1,216,408
All Other Revenue	307,724	0	0	5,000	28,751	341,475
Total Revenue	31,458,194	2,442,126	2,484,146	20,775	1,959,848	38,365,089
Expenditures:						
Current:						
Instruction	20,670,712	0	881,611	0	784,902	22,337,225
Supporting Services:						
Pupils	2,155,394	0	7,429	224,695	118,731	2,506,249
Instructional Staff	2,900,715	0	552,376	0	477,289	3,930,380
Board of Education	9,798	0	0	0	0	9,798
Administration	2,681,688	0	28,178	0	147,493	2,857,359
Fiscal Services	758,445	39,745	52,720	0	20,532	871,442
Business	481,851	0	0	0	3,813	485,664
Operation & Maintenance of Plant	3,120,682	0	433,995	487,553	0	4,042,230
Pupil Transportation	1,585,298	0	454,007	0	5,818	2,045,123
Central	189,070	0	0	0	45,779	234,849
Operation of Non-Instructional Services	5,667	0	0	0	99,856	105,523
Extracurricular Activities	655,341	0	0	0	270,368	925,709
Capital Outlay	5,158	0	273,266	1,189,601	0	1,468,025
Debt Service:						
Principal Retirement	255,000	1,170,000	0	0	0	1,425,000
Interest & Fiscal Charges	66,470	1,886,830	0	107,636	0	2,060,936
Total Expenditures	35,541,289	3,096,575	2,683,582	2,009,485	1,974,581	45,305,512
Excess (Deficiency) of Revenues						
Over Expenditures	(4,083,095)	(654,449)	(199,436)	(1,988,710)	(14,733)	(6,940,423)
Other Financing Sources (Uses):						
Proceeds from the Sale of Fixed Assets	47,087	0	0	0	0	47,087
Other Financing Sources-Capital Lease	0	0	0	2,016,000	0	2,016,000
Operating Transfers In	5,245	0	0	76,840	15,393	97,478
Operating Transfers Out	(15,393)	(76,840)	0	0	(5,245)	(97,478)
Total Other Financing Sources (Uses)	36,939	(76,840)	0	2,092,840	10,148	2,063,087
Net Change in Fund Balance	(4,046,156)	(731,289)	(199,436)	104,130	(4,585)	(4,877,336)
Fund Balances at Beginning of Year	3,056,219	993,734	1,530,659	(2,344,651)	363,446	3,599,407
Fund Balances End of Year	\$ (989,937)	\$ 262,445	\$ 1,331,223	\$ (2,240,521)	\$ 358,861	\$ (1,277,929)

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended June 30, 2003***

Net Change in Fund Balances - Total Governmental Funds \$(4,877,336)

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 outlays in the current period. (1,704,691)

The effect of disposals of capital assets is to decrease net assets. (4,897)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,347

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. (417,680)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (944,425)

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

Compensated Absences	(19,155)	
Pension Obligation (Intergovernmental Payable)	<u>(79,043)</u>	(98,198)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 373,587

Change in Net Assets of Governmental Activities \$(7,671,293)

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 18,658,002	\$ 17,854,494	\$ 17,854,494	\$ 0
Tuition	100,000	112,222	108,004	(4,218)
Transportation Fees	20,000	20,000	16,608	(3,392)
Investment Earnings	250,000	250,000	189,802	(60,198)
Extracurricular Activities	100,000	0	0	0
Class Material and Fees	0	104,517	106,604	2,087
Intergovernmental - State	11,389,260	13,900,978	12,893,232	(1,007,746)
Intergovernmental - Federal	0	15,788	15,788	0
All Other Revenues	0	166,430	184,568	18,138
Total Revenues	<u>30,517,262</u>	<u>32,424,429</u>	<u>31,369,100</u>	<u>(1,055,329)</u>
Expenditures:				
Current:				
Instruction	19,895,480	19,752,427	20,224,546	(472,119)
Support Services:				
Pupils	1,934,299	2,104,707	2,176,232	(71,525)
Instructional Staff	2,956,300	2,832,432	2,927,886	(95,454)
Board of Education	81,348	72,952	9,822	63,130
Administration	2,845,092	2,764,110	2,735,621	28,489
Fiscal Services	705,285	755,809	771,878	(16,069)
Business	313,290	520,313	579,493	(59,180)
Operation and Maintenance of Plant	3,183,039	3,232,518	3,202,586	29,932
Pupil Transportation	1,460,401	1,580,495	1,625,046	(44,551)
Central	6,250	198,002	176,024	21,978
Non-Instructional Operations	2,355	5,779	5,759	20
Extracurricular Activities	555,429	618,587	660,002	(41,415)
Capital Outlay	0	5,158	5,158	0
Debt Service:				
Principal Retirement	0	255,000	255,000	0
Interest and Fiscal Charges	0	66,470	66,470	0
Total Expenditures	<u>33,938,568</u>	<u>34,764,759</u>	<u>35,421,523</u>	<u>(656,764)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,421,306)	(2,340,330)	(4,052,423)	(1,712,093)

(Continued)

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Proceeds from the Sale of Fixed Assets	0	47,037	47,087	50
Operating Transfers In	0	4,250	5,245	995
Operating Transfers Out	0	(15,393)	(15,393)	0
Advances In	0	316,252	316,252	0
Advances Out	0	0	(280,670)	(280,670)
Refund of Prior Year's Expenditures	0	148,124	148,229	105
Total Other Financing Sources (Uses):	<u>0</u>	<u>500,270</u>	<u>220,750</u>	<u>(279,520)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,421,306)	(1,840,060)	(3,831,673)	(1,991,613)
Fund Balance at Beginning of Year	4,912,329	4,912,329	4,912,329	0
Prior Year Encumbrances	352,076	352,076	352,076	0
Fund Balance at End of Year	<u>\$ 1,843,099</u>	<u>\$ 3,424,345</u>	<u>\$ 1,432,732</u>	<u>\$ (1,991,613)</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets Proprietary Funds June 30, 2003

	Business Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
Assets:		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 97,832	\$ 162,724
Receivables:		
Accounts	2,046	2,135
Intergovernmental	29,897	0
Due from Other Funds	0	698,758
Inventory of Supplies at Cost	13,776	0
<i>Total Current Assets</i>	143,551	863,617
<i>Non Current Assets:</i>		
Capital Assets, Net	517,356	0
Total Assets	660,907	863,617
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	5,002	0
Accrued Wages and Benefits	114,636	0
Intergovernmental Payable	104,190	0
Claims Payable	0	543,985
Due to Other Funds	38,468	0
Interfund Loans Payable	269,319	0
<i>Total Current Liabilities</i>	531,615	543,985
<i>Long Term Liabilities:</i>		
Advances from Other Funds	252,232	0
Compensated Absences Payable	39,653	0
<i>Total Long Term Liabilities</i>	291,885	0
Total Liabilities	823,500	543,985
Net Assets:		
Invested in Capital Assets, Net of Related Debt	517,356	0
Unrestricted	(679,949)	319,632
Total Net Assets	\$ (162,593)	\$ 319,632
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	50,245	
Total net assets per the government-wide Statement of Net Assets	\$ (112,348)	

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

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

	Business Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
Operating Revenues:		
Sales	\$ 1,012,942	\$ 0
Tuition and Fees	427,525	0
Charges for Services	0	5,061,456
All Other Revenue	4,190	0
Total Operating Revenues	1,444,657	5,061,456
Operating Expenses:		
Salaries and Wages	867,229	0
Fringe Benefits	406,038	0
Contractual Services	45,069	518,209
Supplies and Materials	738,270	0
Depreciation	59,890	0
Claims	0	4,151,485
Other Operating Expense	32,391	0
Total Operating Expenses	2,148,887	4,669,694
Operating Income (Loss)	(704,230)	391,762
Nonoperating Revenue (Expenses):		
Operating Grants	306,685	0
Investment Earnings	1,601	0
Total Nonoperating Revenues (Expenses)	308,286	0
Net Income (Loss) before Contributions	(395,944)	391,762
Capital Contributions	129,443	0
Change in Net Assets	(266,501)	391,762
Net Assets Beginning of Year, Restated	103,908	(72,130)
Net Assets End of Year	\$ (162,593)	\$ 319,632
Change in Net Assets - Total Enterprise Funds	\$ (266,501)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	18,175	
Change in Net Assets - Total Enterprise Funds	\$ (248,326)	

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Cash Flows
Proprietary Funds
June 30, 2003

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,016,239	\$0	\$1,016,239
Cash Received from Tuition and Fee Payments	426,951	0	426,951
Cash Received from Interfund Charges	0	4,927,721	4,927,721
Cash Payments for Goods and Services	(734,545)	(518,209)	(1,252,754)
Cash Payments for Employees for Services and Benefits	(1,224,175)	(4,116,140)	(5,340,315)
Net Cash Provided (Used) by Operating Activities	(515,530)	293,372	(222,158)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Receipt of Interfund Loan	269,319	0	269,319
Repayment of Advance	(95,000)	0	(95,000)
Repayment of Interfund Loan	0	(200,230)	(200,230)
Grants Received	186,695	0	186,695
Net Cash Provided (Used) by Noncapital Financing Activities	361,014	(200,230)	160,784
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(6,000)	0	(6,000)
Net Cash Used by Capital and Related Financing Activities	(6,000)	0	(6,000)
<u>Cash Flows from Investing Activities:</u>			
Receipt of Interest	1,601	0	1,601
Net Cash Provided by Investing Activities	1,601	0	1,601
Net Increase (Decrease) in Cash and Cash Equivalents	(158,915)	93,142	(65,773)
Cash and Cash Equivalents at Beginning of Year	256,747	69,582	326,329
Cash and Cash Equivalents at End of Year	\$97,832	\$162,724	\$260,556
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u> Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$704,230)	\$391,762	(\$312,468)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) for Operating Activities:			
Depreciation Expense	59,890	0	59,890
Donated Commodities Used During the Year	119,990	0	119,990
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(1,467)	(2,135)	(3,602)
Increase in Intergovernmental Receivable	(29,897)	0	(29,897)
Increase in Due from Other Funds	0	(131,600)	(131,600)
Decrease in Inventory	629	0	629
Decrease in Accounts Payable	(2,392)	0	(2,392)
Increase in Accrued Wages and Benefits	23,251	0	23,251
Increase is Due to Other Funds	6,398	0	6,398
Increase in Intergovernmental Payables	12,608	0	12,608
Decrease in Deferred Revenue	(7,145)	0	(7,145)
Increase in Claims Payable	0	35,345	35,345
Increase in Compensated Absences	6,835	0	6,835
Total Adjustments	188,700	(98,390)	90,310
Net Cash Provided (Used) for Operating Activities	(\$515,530)	\$293,372	(222,158)

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2003, the Food Service Fund received \$129,443 of capital assets from other funds and \$119,990 in donated commodities from the federal government.

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets
Fiduciary Funds
June 30, 2003

	<u>Private Purpose Trust</u>	
	<u>Special Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and Cash Equivalents	\$ 1,847	\$ 33,436
Investments	12,335	0
Receivables:		
Interest	36	0
Total Assets	<u>14,218</u>	<u>33,436</u>
Liabilities:		
Due to Others	0	4,079
Due to Students	0	29,357
Total Liabilities	<u>0</u>	<u>33,436</u>
Total Net Assets	<u>\$ 14,218</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
	Special Trust Fund
Additions:	
Contributions:	
Sales	\$ 0
Private Donations	1,863
Total Contributions	<u>1,863</u>
Investment Earnings:	
Interest	423
Total Investment Earnings	<u>423</u>
Total Additions	<u>2,286</u>
Deductions:	
Administrative Expenses	557
Community Gifts, Awards and Scholarships	1,375
Total Deductions	<u>1,932</u>
Change in Net Assets	354
Net Assets at Beginning of Year	<u>13,864</u>
Net Assets End of Year	<u><u>\$ 14,218</u></u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Marysville Exempted Village School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 233 noncertified and approximately 322 certified teaching personnel and administrative employees providing education to 4,620 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Bond Retirement Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Permanent Improvement Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition of major capital assets (other than that financed by proprietary funds).

Building Acquisition and Construction Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by proprietary funds).

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

Proprietary Funds – The proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The Self Insurance Fund accounts for the interfund charges and claim payments applicable to the employee health and dental plans.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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 District under a trust agreement for individuals, private organizations or other governments and therefore are not available to support the District’s own programs. The District’s only trust fund is a private purpose trust that accounts for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 grants 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 – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus – Financial Statements (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this 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.

Private purpose trust funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Grants and entitlements must also meet eligibility, timing and any contingency requirements. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2003, and which are not intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the general fund is required to be reported. The primary level of budgetary control is at the fund. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets.

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Encumbrances are also recorded as the equivalent of an expenditure. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting for governmental funds.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	
	<u>General Fund</u>
GAAP Basis (as reported)	(\$4,046,156)
Increase (Decrease):	
Accrued Revenues at June 30, 2003, received during FY 2004	(1,449,978)
Accrued Revenues at June 30, 2002, received during FY 2003	1,511,321
Accrued Expenditures at June 30, 2003, paid during FY 2004	4,291,472
Accrued Expenditures at June 30, 2002, paid during FY 2003	(3,798,106)
FY 2002 Prepays for FY 2003	39,867
FY 2003 Prepays for FY 2004	(60,636)
Adjustment to Fair Value	31,129
Encumbrances Outstanding	<u>(350,586)</u>
Budget Basis	<u><u>(\$3,831,673)</u></u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, investments with original maturities of three months or less and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) and money market investments that had a remaining maturity of one year or less at the time of purchase, which are reported at cost or amortized cost.

The District has invested funds in STAR Ohio during 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. See Note 5, "Cash, Cash Equivalents and Investments."

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost of market using the first in, first out (FIFO) method and are expensed when used. On fund financials, inventories of proprietary funds are stated at the lower of cost or market and are expensed when used. For all funds, cost is determined using the FIFO method, and are determined by physical count.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business-type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment - Business-Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost). Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	10-20
Buildings	30
Furniture, Fixtures and Equipment	5-20
Vehicles	8

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund
Installment Loans Payable	General Obligation Bond Retirement Fund
Compensated Absences	General Fund, Food Services Fund and Day Care Fund
Early Retirement Incentive Payable	General Fund
Capital Leases Payable	General Fund, Capital Improvement Fund

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 248 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave. The noncurrent portion of the liability is not reported in the fund financial statements. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

M. 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 of 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 policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

O. Interfund Activity

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.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, debt service, and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under the GAAP basis, but not available for appropriations under state statute.

Q. Estimates

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

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 and tuition and fees for uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Prior Period Adjustments

During the fiscal year ended June 30, 2003, the District completed a physical inventory and revaluation of all capital assets. The inventory and revaluation resulted in the restatement of capital asset balances at June 30, 2002 for Business and Governmental Type Activities. This also resulted in a restatement of the retained earnings balance at June 30, 2002 of the Food Service Fund.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)

B. Changes in Accounting Principles

For fiscal year 2003, the District has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*” The District also changed the capitalization threshold.

GASB 34 creates new basic financial statements for reporting on the 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.

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, 2002, caused by the conversion to the accrual basis of accounting.

C. Restatement of Fund Balance/Retained Earnings

The changes to the beginning fund balance/retained earnings, as well as the transition from fund balance/retained earnings to net assets of the governmental activities and the business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund Balance/Retained Earnings June 30, 2002	\$3,599,407	\$25,001
Adjustments:		
Restate Capital Assets	<u>0</u>	<u>78,907</u>
Restated Fund Balance/Retained Earnings	<u>3,599,407</u>	<u>103,908</u>
GASB 34 Adjustments:		
Capital Assets	56,638,680	0
Internal Service Fund	(104,200)	32,070
Long-Term Liabilities	(46,053,307)	0
Long-Term (Deferred) Assets	<u>822,729</u>	<u>0</u>
Net Assets, June 30, 2002	<u>\$14,903,309</u>	<u>\$135,978</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	\$1,599,084
Depreciation Expense	<u>(3,303,775)</u>
	(\$1,704,691)

Governmental revenues not reported in the funds:

Decrease in Investment Earnings	(\$1,441)
Decrease in Delinquent Tax Revenue	(\$1,933)
Increase in Grants Receivable	<u>5,721</u>
	\$2,347

Net amount of long-term debt issuance and bond and lease principal payments:

Bond Principal Payment	\$1,170,000
Installment Loans Payable	\$255,000
Capital Lease Payment	173,320
Capital lease Proceeds	<u>(2,016,000)</u>
	(\$417,680)

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2003 of \$989,937 in the General Fund, \$1,599 in the Pacesetter Grant Fund (special revenue funds), arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit at June 30, 2003 of \$2,240,521 in the Building Acquisition and Construction Fund (capital project fund) is the result of recognizing notes payable as a liability under the modified accrual basis. The fund deficits at June 30, 2003 of \$172,788 in the Food Service Fund and \$58,007 in the Special Enterprise-Day Care Fund (enterprise fund) arose from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. These deficits do not exist under the cash basis of accounting.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At year end the carrying amount of the District's deposits was of \$879,953 and the bank balance was \$991,949. The Federal Deposit Insurance Corporation (FDIC) covered \$182,076 of the bank balance and all remaining deposits were classified as Category 3.

B. Investments

The District's investments at June 30, 2003 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Fair Value</u>
United State Treasury and Agency Securities	\$3,591,423	\$3,591,423
<u>Non-Categorized Investments</u>		
Guaranteed Investment Contract	N/A	1,342,000
STAR Ohio	N/A	36,123
Total Investments	<u>\$3,591,423</u>	<u>\$4,969,546</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Balance Sheet	\$2,245,741	\$3,603,758
Certificates of Deposit (with maturities of more than 3 months)	12,335	(12,335)
Guaranteed Investment Contracts	(1,342,000)	1,342,000
STAR Ohio	(36,123)	36,123
Per GASB Statement No. 3	<u>\$879,953</u>	<u>\$4,969,546</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2003 were levied in April 2002 on 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. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 6 - PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marysville Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2003, upon which the 2002 levies were based, were as follows:

	Assessed Values for Collection in:	
	<u>2002 Second Half</u>	<u>2003 First Half</u>
Agricultural/Residential and Other Real Estate	\$428,925,400	\$461,298,910
Public Utility Personal	30,979,820	31,614,380
Tangible Personal Property	<u>161,268,517</u>	<u>166,053,975</u>
Total Assessed Value	<u>\$621,173,737</u>	<u>\$658,967,265</u>
Taxrate per \$1,000 of assessed valuation	\$47.56	\$47.56

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts, interest and intergovernmental receivables.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2003:

	<u>Interfund Loans Receivables</u>	<u>Interfund Loans Payables</u>
General Fund	\$280,670	\$0
Nonmajor Governmental Funds	0	11,351
Nonmajor Enterprise Fund	<u>0</u>	<u>269,319</u>
Totals	<u>\$280,670</u>	<u>\$280,670</u>

	<u>Advance to Other Fund</u>	<u>Advance from Other Fund</u>
General Fund	\$252,232	\$0
Nonmajor Enterprise Fund	<u>0</u>	<u>252,232</u>
Totals	<u>\$252,232</u>	<u>\$252,232</u>

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$0	\$659,992
Building Acquisition and and Construction Fund	2,245	
Nonmajor Governmental Funds	0	2,543
Nonmajor Enterprise Fund	0	38,468
Internal Service Fund	<u>698,758</u>	<u>0</u>
Totals	<u>\$701,003</u>	<u>\$701,003</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 9 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for fiscal year 2003:

Fund	Transfers In	Transfers Out
General Fund	\$5,245	\$15,393
Bond Retirement Fund	0	76,840
Building Acquisition and Construction Fund	76,840	0
Nonmajor Governmental Funds	15,393	5,245
Total All Funds	\$97,478	\$97,478

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2003:

Historical Cost:

Class	Restated June 30, 2002	Additions	Deletions	June 30, 2003
<i>Capital Assets not being depreciated:</i>				
Land	\$1,640,099	\$0	\$0	\$1,640,099
<i>Capital Assets being depreciated:</i>				
Land Improvements	2,694,259	380,951	0	3,075,210
Buildings and Improvements	49,160,569	5,839,300	0	54,999,869
Furniture, Fixtures and Equipment	11,828,755	1,530,619	0	13,359,374
Vehicles	1,836,388	216,824	(48,973)	2,004,239
Construction in Progress	6,988,016	1,594,264	(7,962,874)	619,406
Total Cost	\$74,148,086	\$9,561,958	(\$8,011,847)	\$75,698,197

Accumulated Depreciation:

Class	June 30, 2002	Additions	Deletions	June 30, 2003
Land Improvements	(\$1,306,656)	(\$174,491)	\$0	(\$1,481,147)
Buildings and Improvements	(10,127,155)	(1,377,992)	0	(11,505,147)
Furniture, Fixtures and Equipment	(5,276,686)	(1,589,457)	0	(6,866,143)
Vehicles	(798,909)	(161,835)	44,076	(916,668)
Total Depreciation	(\$17,509,406)	(\$3,303,775) *	\$44,076	(\$20,769,105)
<i>Net Value:</i>	\$56,638,680			\$54,929,092

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 10 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Instruction	(\$2,630,748)
Support Services:	
Pupils	(24,291)
Instructional Staff	(265,315)
Administration	(92,475)
Operations & Maintenance of Plant	(53,023)
Pupil Transportation	(168,542)
Extracurricular Activities	<u>(69,381)</u>
Total Depreciation Expense	<u><u>(\$3,303,775)</u></u>

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2003:

Historical Cost:

Class	Restated June 30, 2002	Additions	Deletions	June 30, 2003
Furniture and Equipment	<u>\$886,592</u>	<u>\$135,443</u>	<u>\$0</u>	<u>\$1,022,035</u>
Total Cost	<u><u>\$886,592</u></u>	<u><u>\$135,443</u></u>	<u><u>\$0</u></u>	<u><u>\$1,022,035</u></u>

Accumulated Depreciation:

Class	June 30, 2002	Additions	Deletions	June 30, 2003
Furniture and Equipment	<u>(\$444,789)</u>	<u>(\$59,890)</u>	<u>\$0</u>	<u>(\$504,679)</u>
Total Depreciation	<u><u>(\$444,789)</u></u>	<u><u>(\$59,890)</u></u>	<u><u>\$0</u></u>	<u><u>(\$504,679)</u></u>

<i>Net Value:</i>	<u><u>\$441,803</u></u>	<u><u>\$75,553</u></u>	<u><u>\$0</u></u>	<u><u>\$517,356</u></u>
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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 11- DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2003, 8.17% was allocated to fund the pension benefit and 5.83% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2003, 2002, and 2001 were \$727,213, \$572,938, and \$499,194, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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. The portion of the 2002 employer contribution rate (latest information available) that was used to fund health care for the year 2002 was 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$14,500. The amount contributed to fund health care benefits, including the surcharge amounted to \$534,960.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. Net assets available for payment of benefits at June 30, 2002 were \$335.2 million.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request 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 the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2003, 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2003, 2002, and 2001 were \$2,296,370, \$1,976,794, and \$1,850,568, respectively, which were equal to the required contributions for each year.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2003, the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$789,228 for the District. The balance of the Health Care Reserve Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, the net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

NOTE 12 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2003, was as follows:

Note Payable		Balance			Balance	
		June 30, 2002	Additions	Deletions	June 30, 2003	
Bond Anticipation Note	2.26%	\$3,400,000	\$0	(\$3,400,000)	\$0	
Bond Anticipation Note	1.45%	0	3,400,000	0	3,400,000	
		<u>\$3,400,000</u>	<u>\$3,400,000</u>	<u>(\$3,400,000)</u>	<u>\$3,400,000</u>	

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds, installment loans, compensated absences, early retirement incentive, and capital leases of the District for the year ended June 30, 2003 is as follows:

		Balance June 30, 2002	Issued	(Retired)	Balance June 30, 2003	Due Within One Year
Governmental Activities						
(General Obligation Bonds)						
New High School	7.13%	\$4,134,999	\$0	(\$810,000)	\$3,324,999	\$810,000
Refunding New Elementary	3.4-5.15%	7,602,973	0	(20,000)	7,582,973	25,000
Fifth/Sixth Elementary	5.79%	1,664,222	0	(10,000)	1,654,222	20,000
New Elementary and Middle School	4.35-5.375%	13,699,995	0	(40,000)	13,659,995	50,000
Refunding Fifth/Sixth Elementary		13,334,974	0	(290,000)	13,044,974	190,000
		40,437,163	0	(1,170,000)	39,267,163	1,095,000
Interest Accretion		1,380,430	949,484	0	2,329,914	0
Total General Obligation Bonds		41,817,593	949,484	(1,170,000)	41,597,077	1,095,000
(Installment Loans)						
Energy Conservation Project	4.95%	370,000	0	(180,000)	190,000	190,000
Energy Conservation Project	5.60%	50,000	0	(25,000)	25,000	25,000
Energy Conservation Project	3.4-4.85%	940,000	0	(50,000)	890,000	50,000
Total Installment Loans		1,360,000	0	(255,000)	1,105,000	265,000
Compensated Absences		2,256,784	514,105	(479,950)	2,290,939	0
Early Retirement Incentive Payable		15,000	0	(15,000)	0	0
Capital Leases Payable		237,831	2,016,000	(173,320)	2,080,511	130,511
Total Governmental Activities		\$45,687,208	\$3,479,589	(\$2,093,270)	\$47,073,527	\$1,490,511
Business-Type Activities						
Compensated Absences		32,818	14,516	(7,681)	39,653	0
Total Long Term Liabilities		\$45,720,026	\$3,494,105	(\$2,100,951)	\$47,113,180	\$1,490,511

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2003, follows:

Years	General Obligation Bonds		Installment Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$1,095,000	\$1,838,392	\$265,000	\$54,323	\$1,360,000	\$1,892,715
2005	1,175,000	1,787,851	55,000	41,521	1,230,000	1,829,372
2006	457,545	2,462,019	55,000	39,390	512,545	2,501,409
2007	674,165	2,416,729	55,000	37,218	729,165	2,453,947
2008	763,289	2,346,602	60,000	34,272	823,289	2,380,874
2009-2013	6,776,005	9,151,590	355,000	111,999	7,131,005	9,263,589
2014-2018	3,416,185	14,259,587	260,000	19,158	3,676,185	14,278,745
2019-2023	8,404,974	10,090,613	0	0	8,404,974	10,090,613
2024-2028	12,185,000	2,699,322	0	0	12,185,000	2,699,322
2029-2030	4,320,000	198,659	0	0	4,320,000	198,659
Totals	<u>\$39,267,163</u>	<u>\$47,251,364</u>	<u>\$1,105,000</u>	<u>\$337,881</u>	<u>\$40,372,163</u>	<u>\$47,589,245</u>

B. Defeased Debt

In December 1993, the District defeased \$6,165,000 of General Obligation Bonds for the High School Building, dated April 1, 1990, through the issuance of \$6,084,999 of General Obligation Bonds for the High School Building. The net proceeds of the 1993 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$4,935,000 at June 30, 2003, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2001, the District defeased \$7,669,538 of General Obligation Bonds for the New Elementary Additions, dated October 1, 1995, through the issuance of \$7,667,973 of General Obligation Bonds for the New Elementary Additions. The net proceeds of the 2001 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$7,599,538 at June 30, 2003, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

B. Defeased Debt (Continued)

In March 2002, the District defeased \$13,335,000 of General Obligation Bonds for the Fifth/Sixth Elementary Building, dated March 1, 2000, through the issuance of \$13,334,974 of General Obligation Bonds for the Fifth/Sixth Elementary Building. The net proceeds of the 2002 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,335,000 at June 30, 2003, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

NOTE 14 - CAPITALIZED LEASES

The District leases several pieces of equipment (computer equipment,) under capital leases. The cost of the equipment obtained under capital leases is \$250,000 which is included in the Governmental Activities Capital Assets and the related liability is included in the Governmental Activities Long-Term Liabilities. The District received \$2,016,000 of cash proceeds for various District capital projects. As of June 30, 2003 there were significant unspent proceeds remaining. Projects will be capitalized in the future as the proceeds are expended.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2003:

Year Ending June 30,	Capital Leases
2004	\$219,306
2005	151,337
2006	149,941
2007	150,307
2008	150,472
2009-2013	752,034
2014-2018	749,817
20019-2023	750,303
Minimum Lease Payments	3,073,517
Less: Amount representing interest at the District's incremental borrowing rate of interest	(993,006)
Present Value of minimum lease payments	\$2,080,511

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

NOTE 15 - 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; and natural disasters. During fiscal year 2003 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Nationwide Insurance Company	Automobile	\$100
Cincinnati Insurance Company	Property	\$1,000
Nationwide Insurance Company	General Liability	\$0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The District provides group health, dental and vision benefits to employees and their eligible dependents through a self-insured program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) are available to pay claims and administrative costs. The plan is administered by a third party administrator, E-V Benefits, Inc., which monitors all claim payments. Excess loss coverage, becomes effective after \$90,000 per year per specific claim. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$543,985 reported in the fund at June 30, 2003 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2003 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2002	\$325,000	\$3,244,405	(\$3,060,765)	\$508,640
2003	508,640	4,151,485	(4,116,140)	543,985

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 16 – CONSTRUCTION COMMITMENTS

As of June 30, 2003, the District had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Amount Remaining</u>
Administration Offices	\$220,530
Field House/Receiving Center	1,124,913
Soccer Fields and Tennis Courts	13,059

NOTE 17 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2002	\$0	\$0	\$0
Current Year Set-Aside Requirement	742,236	742,236	1,484,472
Qualifying Disbursements	<u>(742,236)</u>	<u>(742,236)</u>	<u>(1,484,472)</u>
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Cash Balance Carried Forward to FY 2004	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the capital set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years.

NOTE 18 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state 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 adverse effect on the overall financial position of the District at June 30, 2003.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

NOTE 18 – CONTINGENCIES (Continued)

B. State School Funding

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-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.

NOTE 19 – SUBSEQUENT EVENTS

On August 5, 2003, the voters approved a 5 mil tax levy for the purpose of funding current operating expenses.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
FRANKLIN COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$ 90,093	\$ -	\$ 90,093
National School Lunch Program	045476-LLP4-02/03 045476-VGS1-03	10.555	202,503	-	204,873	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>202,503</u>	<u>90,093</u>	<u>204,873</u>	<u>90,093</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Federal Emergency Management Agency	N/A	83.544	<u>4,520</u>		<u>4,520</u>	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	045476-6BSA-03-P 045476-6BSD-02-P 045476-6BSF-02/03-P	84.027	486,126	-	488,466	-
Special Education - Preschool Grant	045476-PGS1-03-P	84.173	<u>6,482</u>	<u>-</u>	<u>6,482</u>	<u>-</u>
Total Special Education Cluster			<u>492,608</u>		<u>494,948</u>	
Grants to Local Educational Agencies (ESEA Title I)	045476-C1S1-03 045476-C1SD-02/03	84.010	299,487		306,207	
Drug-Free Schools Grant	045476-DRS1-02/03	84.186	18,423		18,340	
Goals 2000 State and Local Education Systemic Improvement Grants	045476-G2S9-01	84.276	-		12,489	
Eisenhower Professional Development State Grants	045476-MSS1-02	84.281	-		14,785	
Innovative Educational Program Strategies	045476-C2S1-02/03	84.298	30,714		39,029	
Technology Literacy Challenge Fund	045476-TJS1-03	84.318	8,822		8,552	
Comprehensive School Reform Demonstration	045476-RFS2-02	84.332	168,750		205,695	
Reading Excellence Grant	045476-RNS2-00	84.338	(34)		16,477	
Class Size Reduction	045476-CRS1-02	84.340	(3,676)		8,910	
School Renovation Grants	045476-ATS2-02	84.352	2,165		3,142	
Improving Teacher Quality	045476-TRS1-03	84.367	103,859		100,090	
Total U.S. Department of Education			<u>1,121,118</u>		<u>1,228,664</u>	
<u>U.S. Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	<u>15,788</u>		<u>15,788</u>	
<u>Corporation for National and Community Service</u>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America School and Community Based Programs	045476-SVS4-03	94.004	<u>10,000</u>		<u>13,959</u>	
TOTAL FEDERAL AWARDS			<u>\$ 1,353,929</u>	<u>\$ 90,093</u>	<u>\$ 1,467,804</u>	<u>\$ 90,093</u>

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

Marysville Exempted Village School District
Union County
1000 Edgewood Drive
Marysville, Ohio 43040

To the Board of Education:

We have audited the financial statements of Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 9, 2004, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34 and changed its capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter date February 9, 2004.

Internal Control Over Financial Reporting

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

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Marysville Exempted Village School District
Union County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

February 9, 2004



Auditor of State Betty Montgomery

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

Marysville Exempted Village School District
Union County
1000 Edgewood Drive
Marysville, Ohio 43040

To The Board of Education:

Compliance

We have audited the compliance of Marysville Exempted Village School District, Union County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to 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 section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

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

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

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

Betty Montgomery
Auditor of State

February 9, 2004

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA #84.010; Comprehensive School Reform Demonstration, CFDA #84.332.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10680-001	The District did not obtain a SAS 70 report from its health insurance third-party administrator	Yes	



**Auditor of State
Betty Montgomery**

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

UNION 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
MARCH 18, 2004**