

GROVEPORT MADISON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

SINGLE AUDIT

JULY 1, 2004 – JUNE 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Groveport Madison Local School District
5940 Clyde Moore Drive, Suite B
Groveport, Ohio 43125

We have reviewed the *Independent Auditors' Report* of the Groveport Madison Local School District, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 28, 2006

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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FRANKLIN COUNTY**

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Board of Education
Groveport Madison Local School District
5940 Clyde Moore Drive, Suite C
Groveport, Ohio 43215

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Groveport Madison Local School District, Franklin County, Ohio (the District) as of and for the fiscal year ended June 30, 2005, 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 the 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 the Groveport Madison Local School District, Franklin County, Ohio as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and with the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 16, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. As disclosed at Note 17, the District adopted Government Accounting Standards Board (GASB) Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. In addition, as disclosed at Note 17, the District had a restatement of beginning fund balances due to errors and omissions and fund reclassifications which occurred in the prior fiscal year.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report
Groveport Madison Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
January 20, 2006

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

As management of the Groveport Madison Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

- The total assets of the District exceeded its total liabilities at the close of the most recent fiscal year by \$11.5 million (net assets). The District's total net assets decreased \$2.85 million during the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1.1 million, a decrease of \$414,588 in comparison with the prior fiscal year.
- The District's total debt decreased by \$1.6 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, support services, community services and co-curricular activities. The business-type activities of the District include a food service operation, uniform school supply sales and adult education services.

The reader will also need to consider non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 13-15 of this report.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Bond Retirement, and Permanent Improvement Funds, each of which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds. The District maintains three enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. All of the District's enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government or if the District acts as a Trustee, or fiduciary, for its scholarship programs. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 24 of this report.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on page 25 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets exceed total liabilities by \$11.5 million at the close of the current fiscal year.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2005 to 2004 follows for the Statement of Net Assets:

	Governmental Activities		Business-Type Activities		Total	
	2005	Restated 2004	2005	2004	2005	Restated 2004
Current and Other Assets	\$ 30,987,011	\$ 35,417,918	\$ 266,948	\$ 308,014	\$ 31,253,959	\$ 35,725,932
Capital Assets	12,369,807	13,720,258	233,016	254,728	12,602,823	13,974,986
Total assets	43,356,818	49,138,176	499,964	562,742	43,856,782	49,700,918
Current Liabilities	27,429,996	30,286,026	276,342	231,894	27,706,338	30,517,920
Long-term liabilities	4,538,692	4,739,506	79,364	58,948	4,618,056	4,798,454
Total liabilities	31,968,688	35,025,532	355,706	290,842	32,324,394	35,316,374
Invested in capital assets, net of related debt	11,394,807	12,630,258	233,016	254,728	11,627,823	12,884,986
Restricted	1,045,739	752,682	-	-	1,045,739	752,682
Unrestricted	(1,052,416)	729,704	(88,758)	17,172	(1,141,174)	746,876
Total Net Assets	\$ 11,388,130	\$ 14,112,644	\$ 144,258	\$ 271,900	\$ 11,532,388	\$ 14,384,544

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

The District's total net assets decreased \$2.85 million, or 19.8%, in fiscal year 2005.

A comparative analysis of fiscal year 2005 to 2004 follows for the Changes in Net Assets:

	Governmental Activities		Business-Type Activities		Total	
	2005	Restated 2004	2005	2004	2005	Restated 2004
Program Revenues						
Charges for Services	\$ 534,254	\$ 618,648	\$ 1,194,583	\$ 1,166,863	\$ 1,728,837	\$ 1,785,511
Operating Grants	3,373,351	3,207,244	837,075	755,369	4,210,426	3,962,613
General Revenues						
Taxes	26,232,286	27,521,284	-	-	26,232,286	27,521,284
Grants and Entitlements	25,276,466	23,919,510	-	-	25,276,466	23,919,510
Investment Earnings	149,655	77,745	-	-	149,655	77,745
Miscellaneous	151,748	362,638	776	7,411	152,524	370,049
Transfers	(13,892)	-	-	-	(13,892)	-
Total Revenues	55,703,868	55,707,069	2,032,434	1,929,643	57,736,302	57,636,712
Program Expenses						
Instructional	34,426,314	31,963,133	-	-	34,426,314	31,963,133
Support Services	22,373,857	18,364,662	-	-	22,373,857	18,364,662
Co-Curricular Activities	820,110	766,594	-	-	820,110	766,594
Community Service	687,009	619,690	-	-	687,009	619,690
Interest	121,092	143,288	-	-	121,092	143,288
Food Service	-	-	2,013,866	1,615,234	2,013,866	1,615,234
Uniform school supplies	-	-	146,210	260,250	146,210	260,250
Total expenses	58,428,382	51,857,367	2,160,076	1,875,484	60,588,458	53,732,851
Change in net assets	\$ (2,724,514)	\$ 3,849,702	\$ (127,642)	\$ 54,159	\$ (2,852,156)	\$ 3,903,861

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

Governmental Activities

Governmental activities decreased the District's net assets by \$2.7 million, thereby accounting for 96% of the total decrease in the net assets of the District.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the costs of program services and the net cost of those services after taking into account program revenues. General revenues including tax revenue, unrestricted State entitlements and investment earnings must support the net cost of program services.

A comparative analysis of fiscal year 2005 to 2004 follows:

	<u>Total Cost of Services 2005</u>	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2005</u>	<u>Net Cost of Services 2004</u>
Program expenses				
Instructional	\$ 34,426,314	\$ 31,963,133	\$ 32,759,406	\$ 30,464,126
Support services	22,373,857	18,364,662	20,807,091	16,897,148
Community Services	687,009	619,690	237,831	(46,388)
Co-Curricular Activities	820,110	766,594	595,357	573,301
Interest	121,092	143,288	121,092	143,288
Total	<u>\$ 58,428,382</u>	<u>\$ 51,857,367</u>	<u>\$ 54,520,777</u>	<u>\$ 48,031,475</u>

General revenues, consisting primarily of local property taxes and unrestricted state entitlements, comprise 93% of the District's total governmental activities revenue. The net cost of services column highlights the District's reliance upon general revenues reflecting the need for \$54.5 million of support.

The property tax laws in Ohio create the need to periodically seek voter approval for additional operating funds. Tax revenues generated from a levy do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the affect of providing the District the same amount of tax dollars as originally approved. Therefore school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely heavily on voter approval of operating tax issues, management of the resources is of paramount concern to the District's administration and the voting public.

Business-Type Activities

Business-type activities include Food Service, Uniform School Supply, and Adult Education activities. Business-type activities decreased the District's net assets by \$127,642. This decrease is the result of increases in expenses, primarily salary and fringe benefits, outstripping the increase in charges for services and federal grant proceeds for the District's food service operation.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

General Fund

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1.1 million, a decrease of \$414,588, or 28%, in comparison with the prior fiscal year.

The schedule below indicates the fund balance and the total change in fund balance from June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase/ (Decrease)
General Fund	\$ 56,717	\$ 1,053,582	\$ (996,865)
Bond Retirement Fund	10,603	(15,218)	25,821
Permanent Improvement Fund	357,882	228,303	129,579
Other Governmental Funds	636,932	210,055	426,877
Total	<u>\$ 1,062,134</u>	<u>\$ 1,476,722</u>	<u>\$ (414,588)</u>

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was negative \$5,818,309, while total fund balance was \$56,717. As noted above, the General Fund balance decreased significantly during the current fiscal year.

The tables that follow assist in illustrating the financial activities and balances of the General Fund.

	Revenues		
	Fiscal Year 2005	Restated Fiscal Year 2004	Percent Change
Taxes	\$ 26,785,591	\$ 28,221,352	-5.09%
Intergovernmental	25,321,036	23,919,510	5.86%
Other	463,223	353,698	30.97%
Total	<u>\$ 52,569,850</u>	<u>\$ 52,494,560</u>	<u>0.14%</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

	Expenditures		Percent Change
	Fiscal Year 2005	Restated Fiscal Year 2004	
Salaries and Wages	\$ 28,505,438	\$ 28,416,310	0.31%
Fringe Benefits	9,469,062	8,888,244	6.53%
Purchased Services	12,104,339	7,324,151	65.27%
Materials and Supplies	1,732,620	1,736,325	-0.21%
Miscellaneous	1,761,994	1,705,658	3.30%
Total	<u>\$ 53,573,453</u>	<u>\$ 48,070,688</u>	<u>11.45%</u>

The significant increase in purchased services is primarily the combination of 1) an increase in student transportation costs in correlation with the District moving to split sessions and 2) recording foundation receipts at gross, with a corresponding expenditure, rather than net, as it was recorded in fiscal year 2004. In addition, extensive repairs were made to the roofs and HVAC and fire alarm systems of the District's aging school buildings.

Bond Retirement Fund

The District's Bond Retirement Fund balance increased \$25,821 as the result of property tax receipts slightly outstripping current year debt service expenditures. The District paid off an energy conservation note in the prior fiscal year, resulting in a correlating decrease in both property tax receipts and debt service expenditures in the current period.

Permanent Improvement Fund

The District's Permanent Improvement Fund balance increased \$129,579 during the current period. This is the amount by which tax receipts generated from an income tax sharing agreement with the Village of Groveport (\$461,399) exceeded expenditures of the fund (\$376,364).

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts and disbursements and encumbrances. Changes are made to the District's budget as changes in revenues and spending patterns are experienced.

The District's final estimated resources exceeded the original estimate by \$161,472, or .31%. The District's actual revenues exceeded final estimated resources by \$2,588,768, or 4.8%.

The District's final appropriations exceeded original appropriations by \$1,424,670, or 2.5%. The variance between the District's final appropriations and actual budgetary expenditures was zero.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

Capital Assets

At fiscal year-end 2005, the District has \$12,602,823 in capital assets, net of accumulated depreciation, with \$12,369,807 and \$233,016 attributed to governmental and business-type activities, respectively. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

At fiscal year-end 2005, the District had \$975,000 in outstanding energy conservation notes. The District also had \$3,008,000 in outstanding tax anticipation notes. During the fiscal year, the District paid \$1,615,000 in notes outstanding and \$132,752 in interest. Detailed information regarding general long-term obligations is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2005, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

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

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

Current Issues

From a state funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State of Ohio has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The District is experiencing declining funding at the state level. The concern is that, to meet the requirements of the Ohio Supreme Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant effect on the District. Another District concern will be the State Legislative approval of the biennial budget, effective July 1, 2005. How the legislature plans to fund education programs during a weakened economy remains a concern.

In May 2003, District voters renewed a 4.5 mill school operating levy. The District will seek voter approval of a renewal with an increase of this levy before its expiration in December 2006.

Along with the challenges set forth for the District to ensure positive operating cash flow within the General Fund, the need for improved and new school facilities is ever pertinent. The District has been unsuccessful on five separate attempts to pass a bond issue and solves its overcrowding by operating a triple split session at the junior high and high schools.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(CONTINUED)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Anne Spano, Treasurer, Groveport Madison Local School District, 5940 Clyde Moore Drive, Suite C, Groveport, Ohio 43125.

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 10,066,998	\$ 151,997	\$ 10,218,995
Receivables:			
Taxes	20,822,973	-	20,822,973
Accounts	19,842	6,450	26,292
Due From Other Governments	68,948	108,501	177,449
Prepaid Items	8,250	-	8,250
Nondepreciable Capital Assets	1,527,289	-	1,527,289
Depreciable Capital Assets, Net	10,842,518	233,016	11,075,534
Total Assets	43,356,818	499,964	43,856,782
Liabilities			
Accounts Payable	305,988	100,447	406,435
Accrued Wages and Benefits	4,342,061	96,773	4,438,834
Due to Other Governments	1,161,296	79,122	1,240,418
Deferred Revenue	18,612,651	-	18,612,651
Notes Payable	3,008,000	-	3,008,000
Long-Term Liabilities			
Due within One Year	532,346	-	532,346
Due in More Than One Year	4,006,346	79,364	4,085,710
Total Liabilities	31,968,688	355,706	32,324,394
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,394,807	233,016	11,627,823
Restricted for:			
Capital Projects	408,807	-	408,807
Other Purposes	636,932	-	636,932
Unrestricted	(1,052,416)	(88,758)	(1,141,174)
Total Net Assets	\$ 11,388,130	\$ 144,258	\$ 11,532,388

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction			
Regular	\$ 25,608,022	\$ 220,000	\$ 508,811
Special	8,157,885	89,501	848,596
Vocational	491,400	-	-
Other Instruction	169,007	-	-
Support Services			
Pupils	2,531,006	-	523,114
Instructional Staff	1,916,432	-	156,385
Board of Education	1,279,515	-	-
Administration	4,266,082	-	420,629
Fiscal Services	707,711	-	-
Business Operations	149,857	-	-
Maintenance	5,686,764	-	55,065
Pupil Transportation	5,375,172	-	392,623
Central	461,318	-	18,950
Non-instructional Services	687,009	-	449,178
Co-Curricular Activities	820,110	224,753	-
Interest and Fiscal Charges	121,092	-	-
Total Governmental Activities	58,428,382	534,254	3,373,351
Business-Type Activities			
Food Service	2,013,866	1,028,253	837,075
Uniform School Supplies	146,210	166,330	-
Total Business-Type Activities	2,160,076	1,194,583	837,075
Totals	\$ 60,588,458	\$ 1,728,837	\$ 4,210,426

General Revenues:
 Taxes
 Grants & Entitlements not Restricted
 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

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (24,879,211)	\$ -	\$ (24,879,211)
(7,219,788)	-	(7,219,788)
(491,400)	-	(491,400)
(169,007)	-	(169,007)
(2,007,892)	-	(2,007,892)
(1,760,047)	-	(1,760,047)
(1,279,515)	-	(1,279,515)
(3,845,453)	-	(3,845,453)
(707,711)	-	(707,711)
(149,857)	-	(149,857)
(5,631,699)	-	(5,631,699)
(4,982,549)	-	(4,982,549)
(442,368)	-	(442,368)
(237,831)	-	(237,831)
(595,357)	-	(595,357)
(121,092)	-	(121,092)
<u>(54,520,777)</u>	<u>-</u>	<u>(54,520,777)</u>
-	(148,538)	(148,538)
-	20,120	20,120
<u>-</u>	<u>(128,418)</u>	<u>(128,418)</u>
<u>(54,520,777)</u>	<u>(128,418)</u>	<u>(54,649,195)</u>
26,232,286	-	26,232,286
25,276,466	-	25,276,466
149,655	-	149,655
151,748	776	152,524
(13,892)	-	(13,892)
<u>51,796,263</u>	<u>776</u>	<u>51,797,039</u>
(2,724,514)	(127,642)	(2,852,156)
14,112,644	271,900	14,384,544
<u>\$ 11,388,130</u>	<u>\$ 144,258</u>	<u>\$ 11,532,388</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Investments	\$ 8,783,864	\$ 10,603	\$ 357,882	\$ 914,649	\$ 10,066,998
Receivables:					
Taxes	20,416,947	164,378	241,648	-	20,822,973
Accounts	18,019	-	-	1,823	19,842
Due From Other Governments	20,938	-	-	48,010	68,948
Due From Other Funds	17,472	-	-	-	17,472
Prepaid Items	8,250	-	-	-	8,250
Total Assets	<u>\$ 29,265,490</u>	<u>\$ 174,981</u>	<u>\$ 599,530</u>	<u>\$ 964,482</u>	<u>\$ 31,004,483</u>
Liabilities:					
Accounts Payable	\$ 271,307	\$ -	\$ -	\$ 34,681	\$ 305,988
Accrued Wages and Benefits Payable	4,113,973	-	-	228,088	4,342,061
Due To Other Governments	1,113,987	-	-	47,309	1,161,296
Due To Other Funds	-	-	-	17,472	17,472
Deferred Revenue	20,416,947	164,378	241,648	-	20,822,973
Compensated Absences Payable	284,559	-	-	-	284,559
Notes Payable	3,008,000	-	-	-	3,008,000
Total Liabilities	<u>29,208,773</u>	<u>164,378</u>	<u>241,648</u>	<u>327,550</u>	<u>29,942,349</u>
Fund Balances:					
Reserved					
Encumbrances	116,776	-	-	95,949	212,725
Prepays	8,250	-	-	-	8,250
Property Taxes	5,750,000	-	-	-	5,750,000
Unreserved, Reported in:					
General Fund	(5,818,309)	-	-	-	(5,818,309)
Debt Service Fund	-	10,603	-	-	10,603
Special Revenue Funds	-	-	-	490,058	490,058
Capital Project Funds	-	-	357,882	50,925	408,807
Total Fund Balances	<u>56,717</u>	<u>10,603</u>	<u>357,882</u>	<u>636,932</u>	<u>1,062,134</u>
Total Liabilities and Fund Balances	<u>\$ 29,265,490</u>	<u>\$ 174,981</u>	<u>\$ 599,530</u>	<u>\$ 964,482</u>	<u>\$ 31,004,483</u>

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2005**

Total Governmental Fund Balances \$ 1,062,134

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 12,369,807

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 2,210,322

Long-Term liabilities, including notes payable, are not due and
payable in the current period and therefore are not reported
in the funds.

Compensated Absences	(3,148,066)	
Special Termination Benefits	(131,067)	
Energy Conservation Note	<u>(975,000)</u>	
Total		<u>(4,254,133)</u>

Net Assets of Governmental Activities \$ 11,388,130

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 26,785,591	\$ 190,897	\$ 461,399	\$ -	\$ 27,437,887
Intergovernmental	25,321,036	-	-	3,328,781	28,649,817
Investment Income	149,655	-	-	-	149,655
Co-curricular Activities	-	-	-	224,753	224,753
Tuition Fees	287,287	-	-	22,214	309,501
Donations	-	-	44,444	-	44,444
Other	26,281	-	-	74,285	100,566
Total Revenues	52,569,850	190,897	505,843	3,650,033	56,916,623
Expenditures:					
Current:					
Instruction:					
Regular	24,852,727	-	-	520,480	25,373,207
Special	7,478,704	-	-	606,607	8,085,311
Vocational	468,252	-	-	89	468,341
Other	169,007	-	-	-	169,007
Support services:					
Pupils	2,102,548	-	-	505,596	2,608,144
Instructional Staff	1,731,551	-	-	154,842	1,886,393
Board of Education	1,279,515	-	-	-	1,279,515
School Administration	3,781,009	-	-	536,352	4,317,361
Fiscal Services	708,980	-	-	-	708,980
Business Operations	149,857	-	-	-	149,857
Operation and Maintenance of Plant	4,656,344	-	376,264	-	5,032,608
Pupil Transportation	4,795,980	-	-	336,278	5,132,258
Central Services	405,182	-	-	8,743	413,925
Community Services	234,774	-	-	453,381	688,155
Co-curricular Activities	544,755	-	-	218,488	763,243
Debt service:					
Principal Retirement	-	115,000	-	-	115,000
Interest and Fiscal Charges	82,676	50,076	-	-	132,752
Total Expenditures	53,441,861	165,076	376,264	3,340,856	57,324,057
Excess (Deficiency) of Revenues Over (Under) Expenditures	(872,011)	25,821	129,579	309,177	(407,434)
Other financing sources (uses):					
Proceeds from Sale of Assets	1,350	-	-	-	1,350
Other Financing Sources	5,388	-	-	-	5,388
Transfers In	-	-	-	117,700	117,700
Transfers Out	(131,592)	-	-	-	(131,592)
Total other financing sources (uses)	(124,854)	-	-	117,700	(7,154)
Net Change in Fund Balances	(996,865)	25,821	129,579	426,877	(414,588)
Fund Balance at Beginning of Year, Restated	1,053,582	(15,218)	228,303	210,055	1,476,722
Fund Balance at End of Year	\$ 56,717	\$ 10,603	\$ 357,882	\$ 636,932	\$ 1,062,134

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**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, 2005**

Net Change in Fund Balances - Total Governmental Funds **\$ (414,588)**

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 outlay in the current period. (1,350,070)

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets. (381)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,205,601)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the net effect of these differences in the treatment of long-term debt and related items. 115,000

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	94,733	
Special Termination Benefits	24,733	
Accrued Interest	<u>11,660</u>	
Total		<u>131,126</u>

Change in Net Assets of Governmental Activities **\$ (2,724,514)**

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLN COUNTY**

**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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 25,785,326	\$ 28,118,658	\$ 30,707,426	\$ 2,588,768
Intergovernmental	27,605,370	25,474,622	25,474,622	-
Interest	267,156	199,171	199,171	-
Tuition	298,482	383,676	383,676	-
Other	155,904	89,564	89,564	-
Total Revenues	54,112,238	54,265,691	56,854,459	2,588,768
Expenditures:				
Current:				
Instruction:				
Regular	25,549,177	25,016,005	25,016,005	-
Special	7,304,214	7,637,984	7,637,984	-
Vocational	836,895	508,400	508,400	-
Other	161,824	169,007	169,007	-
Support Services:				
Pupils	2,291,313	2,173,171	2,173,171	-
Instructional Staff	1,334,736	1,755,512	1,755,512	-
Board of Education	1,337,112	1,305,262	1,305,262	-
Administration	3,639,052	3,825,678	3,825,678	-
Fiscal	825,441	2,288,582	2,288,582	-
Business	152,142	151,106	151,106	-
Operations and Maintenance	4,350,257	4,553,375	4,553,375	-
Pupil Transportation	4,932,014	5,889,789	5,889,789	-
Central	434,741	432,200	432,200	-
Noninstructional Services	-	205,105	205,105	-
Co-Curricular Activities	475,388	547,515	547,515	-
Debt Service:				
Principal Retirement	1,500,000	1,500,000	1,500,000	-
Interest and Fiscal Charges	82,676	82,676	82,676	-
Total Expenditures	55,206,982	58,041,367	58,041,367	-
Excess of Revenues Over (Under) Expenditures	(1,094,744)	(3,775,676)	(1,186,908)	2,588,768
Other Financing Sources (Uses):				
Proceeds from Sale (Loss) of Assets	20,000	1,350	1,350	-
Refund of Prior Year Expenditure	19,519	9,866	9,866	-
Refund of Prior Year Receipts	(25,000)	(1,249)	(1,249)	-
Transfers Out	(1,535,028)	(131,592)	(131,592)	-
Advances In	45,500	81,822	81,822	-
Advances - Out	-	(17,472)	(17,472)	-
Total Other Financing Sources (Uses)	(1,475,009)	(57,275)	(57,275)	-
Net Changes in Fund Balance	(2,569,753)	(3,832,951)	(1,244,183)	2,588,768
Fund Balance, Beginning of Year, Restated	7,211,281	7,211,281	7,211,281	-
Prior Year Encumbrances Appropriated	2,571,190	2,571,190	2,571,190	-
Fund Balance, End of Year	\$ 7,212,718	\$ 5,949,520	\$ 8,538,288	\$ 2,588,768

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005**

		Aggregate Non-Major Enterprise Funds
Assets:		
Cash and Investments	\$	151,997
Accounts Receivable		6,450
Due From Other Governments		108,501
Total Current Assets		266,948
Capital Assets, Net		233,016
Total Assets	\$	499,964
Liabilities:		
Accounts Payable	\$	100,447
Accrued Wages and Benefits Payable		96,773
Due To Other Governments		79,122
Total Current Liabilities		276,342
Long-Term Liabilities - Compensated Absences		79,364
Total Liabilities		355,706
Net Assets		
Invested in Capital Assets		233,016
Unrestricted		(88,758)
Total Net Assets	\$	144,258

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Aggregate Non-Major Enterprise Funds
Operating Revenues:	
Food Service Sales	\$ 1,028,253
Class Fees	166,330
Other	776
Total Operating Revenues	1,195,359
Operating Expenses:	
Salaries	719,828
Fringe Benefits	270,434
Purchased Services	139,128
Materials and Supplies	174,125
Cost of Sales	833,697
Depreciation	21,712
Other	1,152
Total Operating Expenses	2,160,076
Operating Loss	(964,717)
Nonoperating Revenues:	
Federal Donated Commodities	108,733
Grants	728,342
Total Nonoperating Revenues	837,075
Change in Net Assets	(127,642)
Net Assets, Beginning of Year	271,900
Net Assets, End of Year	\$ 144,258

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

		Aggregate Non-Major Enterprise Funds
Cash Flows From Operating Activities		
Cash Received from Tuition and Fees	\$	165,758
Cash Received from Sales		886,484
Other Cash Receipts		5,449
Cash Payments for Personal Services		(838,945)
Cash Payments for Purchased Services		(139,128)
Cash Payments for Materials and Supplies		(830,102)
Cash Payments for Other Expenses		(1,152)
Net Cash Used By Operating Activities		(751,636)
Cash Flows From Noncapital Financing Activities		
Grants		710,433
Net Cash Provided By Noncapital Financing Activities		710,433
Decrease in Cash and Cash Equivalents		(41,203)
Cash and Cash Equivalents, Beginning of Year		193,200
Cash and Cash Equivalents, End of Year	\$	151,997
Adjustments to Reconcile Operating Loss to Net Cash Used By Operating Activities:		
Operating Loss	\$	(964,717)
Depreciation		21,712
Federal Donated Commodities Received/Used		108,733
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		4,101
(Increase) Decrease in Inventory		13,671
Increase (Decrease) in Accounts Payable		54,334
Increase (Decrease) in Due to Other Governments		272
Increase (Decrease) in Deferred Revenue		(4,203)
Increase (Decrease) in Accrued Wages and Benefits		(5,955)
Increase (Decrease) in Compensated Absences		20,416
Net Cash Used By Operating Activities	\$	(751,636)

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2005**

	Private-Purpose Trust	Agency
Assets:		
Cash and Investments	\$ 106,334	\$ 65,790
Accounts Receivable	-	630
Total Assets	106,334	66,420
Liabilities:		
Accounts Payable	-	1,411
Due To Students	-	64,009
Due To Others	-	1,000
Total Liabilities	-	\$ 66,420
Net Assets	\$ 106,334	

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Private-Purpose Trust
Additions	
Investment Income	\$ 2,047
Other Revenue	500
Total Additions	2,547
Deductions	
Scholarships Awarded	(2,291)
Change in Net Assets	256
Net Assets, Beginning of Year	106,078
Net Assets, End of Year	\$ 106,334

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 – REPORTING ENTITY

The Groveport Madison Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally elected five member Board form of government consisting of five members elected at-large for staggered four year terms. The first official body designated as the Groveport Madison Board of Education was formed in 1848. The District provides educational services as authorized by state and/or federal guidelines.

The Board controls the District's 10 instructional/support facilities staffed by 216 non-certificated personnel and 406 certificated full time teaching personnel, and 26 administrators, who provide services to 6,280 students and other community members.

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

Private or Non-Public Schools – Within the District Boundaries are Madison Christian and Brice Christian Academy. Current State legislation provides funding to these parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The District accounts for these activities in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government's financial reporting entity. Those tests involve 1) appointment of the unit's governing board (accompanied by either the potential imposition of will or ongoing financial benefit/burden), 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting. The District has no component units.

The following entities which perform activities within the District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Village of Groveport – The village government of Groveport is a separate body politic and corporate, a mayor and council are elected independent of any District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association – The District is not involved in the budgeting or management is not responsible for any debt and has no influence over the organization.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 1 – REPORTING ENTITY (Continued)

Jointly Governed Organizations

Metropolitan Educational Council – The Metropolitan Educational Council (MEC) is a jointly governed organization. The organization is composed of over one hundred members which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in central Ohio.

The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. MEC also provides a variety of services through its data processing center to thirty-one member districts (“C” sites) in the Ohio counties of Fairfield, Franklin, Madison, Pickaway, and Union, with the major emphasis being placed on fiscal services. MEC also provides services to the District including pupil scheduling attendance reporting, and grade reporting. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. MEC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for MEC. Financial statements for MEC can be obtained from the Metropolitan Educational Council at 2100 City Gate Drive, Columbus, Ohio 43219. The amount paid to MEC during the fiscal year was \$304,757.

Central Ohio Special Education Regional Resource Center – The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, representatives of universities and students and persons with disabilities representations. The District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, and the Early Childhood Services Project. These projects assist the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council. The amount paid to COSERRC during the fiscal year was \$0.

Eastland Joint Vocational School District – The Eastland Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts’ elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Eastland Joint Vocational School District, Dawn Lemley, who serves as Treasurer, at 4300 Amalgamated Place, P.O. Box 419, Groveport, Ohio 43125-0419. The amount paid to Eastland Joint Vocation School District during the fiscal year was \$0.

Group Purchasing Pool

Ohio School Board Association Workers’ Compensation – During the fiscal year, the District participated in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 1 – REPORTING ENTITY (Continued)

The WCGRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and Immediate Past President of the OSBA. The Executive Director of the OSBA, or his/her Designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover costs of administering the program.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 guidance as applicable to its governmental activities, business-type activities, and proprietary funds, and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds. The most significant of the District's accounting policies are described below.

(a) Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Major Governmental Funds

General Fund — The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Bond Retirement Fund — The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Improvement Fund — The Permanent Improvement is used to account for financial resources to be used for the acquisition and/or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Other Governmental Funds of the District account for co-curricular activities, federal and state grants, and other resources.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business – Type Activities

The following are the District's non-major enterprise funds:

Food Service Fund — The Food Service Fund is used to account for all financial transactions related to food service operations.

Uniform School Supplies Fund — The Uniform School Supplies Fund is used to account for the purchase and sale of school supplies to students as adopted by the Board of Education.

Adult Education Fund — The Adult Education Fund is used to account for transactions made in connection with adult education classes.

Fiduciary Funds

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

(b) Basis of Presentation

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 the fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations 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, and for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements are on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one 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 funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (expenses) in total assets.

Proprietary funds account for all recurring type revenues as operating revenues. Non-recurring revenues such as gains on sales of assets and revenue over which the District has minimal or no control, primarily interest earnings, are accounted for as nonoperating revenues. Revenue received from grantors is accounted for as nonoperating revenue.

(c) *Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual for governmental funds and the accrual basis for proprietary and private purpose trust funds.

Revenue Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

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 met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tuition, grants and student fees.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. For tax receipts, the “intended to finance” criteria must also be met. Grants and entitlements received before eligibility requirements were met have also been recorded as deferred revenue. On the governmental fund financial statements receivables not collected in the available period are recognized as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of net assets and governments funds balance sheet and revenue is recognized.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on the flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation, are not recognized in governmental funds.

(d) Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the year if the projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Cash and Investments*

Monies received by the District are pooled in a central bank account with individual fund balance integrity retained throughout. During the fiscal year, investments were limited to STAR Ohio, federal agency securities, money market mutual funds and a repurchase agreement. The District reports certificates of deposit and repurchase agreements at cost, money market mutual funds at share value and all other investments at fair value.

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 Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 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, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to \$149,655.

(f) *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At fiscal year end, because prepaid items are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

(g) *Inventory*

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased. The District did not report any significant inventory at June 30, 2005.

(h) *Capital Assets and Depreciation*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Enterprise fund capital assets are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Capital assets acquired before July 1, 2003 are capitalized at an estimated cost using computerized reverse-trending techniques applied against the estimate of current replacement cost. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than one year. The District does not possess any infrastructure.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Land Improvements	10 – 30
Buildings and Improvements	10 – 30
Furniture and Equipment	5 – 15
Vehicles	5 – 10

(i) Interfund Activity

Transfers between governmental and business-type activities on the entity-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/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. These transfers are eliminated from the statement of activities.

On fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

(j) Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at fiscal year-end.

(k) Accrued Liabilities and Long-Term Obligations

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

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Long-term notes paid from the governmental funds are recognized as a liability in the fund financial statements since current resources are used to finance the debt.

(l) Net Assets

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

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

(m) Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property tax revenue reserved for future year's appropriations and prepaid assets.

(n) Extraordinary and Special Items

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

(o) Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments of the cash management pool are also considered to be cash equivalents, since they are available to the proprietary funds on demand.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

GAAP Basis	\$	(996,865)
Revenues		2,742,243
Expenditures		(2,872,439)
Advances		64,350
Encumbrances		(181,472)
Budgetary Basis	<u>\$</u>	<u>(1,244,183)</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 4 – CASH AND INVESTMENTS

The deposit and investment of the District's monies is governed by the provisions of the Ohio Revised Code (ORC). In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; STAROhio; no-load money market mutual funds; and under limited circumstances, corporate debt interests. Earnings on investments are credited to various funds at the discretion of the Board which is in compliance with ORC Section 3315.01.

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

Deposits

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. At fiscal year end, \$402,573 of the District's bank balance of \$502,573 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 4 – CASH AND INVESTMENTS (Continued)

Investments

At fiscal year end, the District's had the following investments:

Investment Type	Fair Value	Percent of Total	Investment Maturities		
			Within 1 Year	1 to 2 Years	2 to 3 Years
FHLMC Note	\$ 982,030	9.10%	\$ -	\$ 982,030	\$ -
FHLB Bond	997,050	9.24%	-	-	997,050
Repurchase Agreement	6,008,177	55.66%	6,008,177	-	-
STAR Ohio	2,152,023	19.94%	2,152,023	-	-
Money Market Fund	654,375	6.06%	654,375	-	-
Total	<u>\$ 10,793,655</u>	<u>100%</u>	<u>\$ 8,814,575</u>	<u>\$ 982,030</u>	<u>\$ 997,050</u>

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. At fiscal year-end, the District's investment in STAR Ohio was rated AAA and the District's investments in U.S. Treasuries and money market mutual funds each were rated Aaa by Moody's Investors Service.

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. The District places no limit on the amount it may invest in any one issuer, however, state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's exposure to concentration risk is noted in the preceding table.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. As a means of limiting its exposure to fair value losses arising from interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less. The District's exposure to interest rate risk is noted in the preceding table.

Reconciliation of Cash and Investments to the Statement of Net Assets: The following is a reconciliation of cash and investments to the Statement of Net Assets as of June 30, 2005:

Investments (summarized above)	\$ 10,793,655
Carrying Amount of District's Deposits	(402,536)
Fiduciary Funds - Cash and Investments	(172,124)
Total Cash and Investments - Statement of Net Assets	<u>\$ 10,218,995</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 4 – CASH AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the District's deposits was (\$402,536) and the bank balance was \$502,573. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments".

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives its property taxes from Franklin County. The County Auditor periodically advances to the District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, on the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 5 – PROPERTY TAXES (Continued)

At June 30, 2005, the amount of property taxes advanced to the General Fund was \$5,750,000.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second Half Collections</u>		<u>2005 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 608,331,710	83.25%	\$ 639,692,370	81.70%
Public Utility Personal	34,523,600	4.72%	35,972,860	4.60%
Tangible Personal Property	87,883,757	12.03%	107,283,311	13.70%
Total	<u>\$ 730,739,067</u>	<u>100.00%</u>	<u>\$ 782,948,541</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 53.88		\$ 57.76	

NOTE 6 – DUE TO/FROM OTHER FUNDS AND TRANSFERS

(a) Interfund Advances

On an as-needed basis, the District’s General Fund advances cash to other funds of the District to eliminate cash deficits. Advances are repaid to the General Fund in the following fiscal year. At fiscal year end, the District had outstanding advances of \$17,472 which are reported as due to/from other funds.

(b) Interfund Transfers

A schedule of interfund transfers during the fiscal year is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>Nonmajor/Other Governmental</u>	<u>Agency</u>	<u>Total</u>
General Fund	\$ 117,700	\$ 13,892	\$ 131,592
Total Transfers Out	<u>\$ 117,700</u>	<u>\$ 13,892</u>	<u>\$ 131,592</u>

The primary purpose of interfund transfers is to provide supplemental funding to co-curricular and state and federal grant program activities. All transfers are allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 7 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year follows:

Governmental Activities

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Nondepreciable Capital Assets				
Land	\$ 1,527,289	\$ -	\$ -	\$ 1,527,289
Total Nondepreciable Capital Assets	<u>1,527,289</u>	<u>-</u>	<u>-</u>	<u>1,527,289</u>
Depreciable Capital Assets				
Land Improvements	2,022,015	-	-	2,022,015
Buildings	21,987,437	-	-	21,987,437
Furniture and Equipment	8,623,191	124,500	(37,054)	8,710,637
Vehicles and Buses	2,106,613	2,865	-	2,109,478
Total Depreciable Capital Assets	<u>34,739,256</u>	<u>127,365</u>	<u>(37,054)</u>	<u>34,829,567</u>
Less accumulated depreciation				
Land Improvements	(924,744)	(115,401)	-	(1,040,145)
Buildings	(13,973,295)	(600,691)	-	(14,573,986)
Furniture and Equipment	(6,571,033)	(483,899)	36,673	(7,018,259)
Vehicles and Buses	(1,077,215)	(277,444)	-	(1,354,659)
Total accumulated depreciation	<u>(22,546,287)</u>	<u>(1,477,435)</u>	<u>36,673</u>	<u>(23,987,049)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>12,192,969</u>	<u>(1,350,070)</u>	<u>(381)</u>	<u>10,842,518</u>
Total Capital Assets, Net	<u>\$ 13,720,258</u>	<u>\$(1,350,070)</u>	<u>\$ (381)</u>	<u>\$ 12,369,807</u>

Business-Type Activities

	Beginning Balance	Additions	Deductions	Ending Balance
Furniture and Equipment	\$ 736,573	\$ -	\$ -	\$ 736,573
Less: Accumulated depreciation	(481,845)	(21,712)	-	(503,557)
Total Capital assets, Net	<u>\$ 254,728</u>	<u>\$ (21,712)</u>	<u>\$ -</u>	<u>\$ 233,016</u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

Instruction Regular	\$ 110,444
Instruction Special	25,163
Instruction Vocational	25,611
Pupils	615
Instructional staff	169,196
School Administration	53,074
Fiscal Services	4,534
Operations and Maintenance	775,190
Pupil Transportation	257,056
Co-Curricular activities	56,552
Total depreciation expense	<u><u>\$ 1,477,435</u></u>

NOTE 8 – SHORT-TERM DEBT

A schedule of changes in short-term debt is as follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
2003 Tax Anticipation Note					
2.20%, matures 12/1/06	<u>\$ 4,508,000</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ 3,008,000</u>	<u>\$ 1,500,000</u>

The District issued these notes in fiscal year 2004 in anticipation of revenues to be generated from property tax levies. Note proceeds are being used in the general operations of the District.

Annual principal and interest requirements to retire the tax anticipation notes outstanding at fiscal year-end are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,500,000	\$ 49,676	\$ 1,549,676
2007	<u>1,508,000</u>	<u>16,588</u>	<u>1,524,588</u>
Total	<u><u>\$ 3,008,000</u></u>	<u><u>\$ 66,264</u></u>	<u><u>\$ 3,074,264</u></u>

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 9 – LONG TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2005 is as follows:

<i>Governmental Activities</i>	Restated			Balance June 30, 2005	Due Within One Year
	Balance June 30, 2004	Additions	Reductions		
2001 Energy Note 4.65%, matures 12/1/11	\$ 1,090,000	\$ -	\$ (115,000)	\$ 975,000	\$ 120,000
Compensated Absences	3,412,539	798,000	(873,647)	3,336,892	303,614
Special Termination Benefits	234,233	83,600	(91,033)	226,800	108,732
Total	\$ 4,736,772	\$ 881,600	\$(1,079,680)	\$ 4,538,692	\$ 532,346

<i>Business-Type Activities</i>	Balance			Balance June 30, 2005	Due Within One Year
	June 30, 2004	Additions	Reductions		
Compensated Absences	\$ 58,948	\$ 38,620	\$ (18,204)	\$ 79,364	\$ -

The beginning balances have been restated due to presentation changes of compensated absence liability from prior years. This restatement had no impact on fund balances.

The Energy Conservation Note, issued to provide funds for energy conservation measures throughout the District, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this note are recorded as expenditures in the Debt Service Fund. Compensated absences and special termination benefits will be paid from the fund from which the person is paid.

Annual principal and interest requirements to retire the energy conservation note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 120,000	\$ 44,378	\$ 164,378
2007	125,000	38,437	163,437
2008	135,000	32,132	167,132
2009	140,000	25,463	165,463
2010	145,000	18,552	163,552
2011 - 2015	310,000	15,278	325,278
Total	\$ 975,000	\$ 174,240	\$ 1,149,240

The ORC provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 9 – LONG TERM LIABILITIES (Continued)

The effects of these debt limitations at fiscal year-end are a voted debt margin of \$70,465,369 and an unvoted debt margin of \$782,949. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with various governmental entities. At fiscal year end, these entities have complied with the requirement that unvoted overlapping debt must not exceed 1% (10 mills) of the assessed property value. Management believes that the District has complied with all bond covenants.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, the District contracted with Ohio Schools Risk Sharing Authority, administered by Willis of Ohio, for general liability insurance with a \$1,000,000 single occurrence limit and a \$6,000,000 aggregate. Property is also protected by Ohio School Risk Sharing Authority and holds a \$1,000 deductible.

The District contracts with Anthem Blue Cross Blue Shield to provide health coverage; the OASIS Trust, administered by Coresource Inc., to provide dental coverage; and the Ohio School Boards Association Trust, administered by Century Business Services, to provide life insurance coverage for employees.

Post employment health care is provided to plan participants or their beneficiaries through their respective retirement systems. As such, no funding provisions are required by the District.

During the fiscal year, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant share equally in the overall performance of the Program. Participation in the Program is limited to districts that can meet the Program's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the Program.

NOTE 11 – PENSION BENEFITS

(a) *School Employees Retirement System*

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 11 – PENSION BENEFITS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$802,040, \$868,735, and \$899,841 respectively. 50 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The District's unpaid contribution, including the surcharge, totaling \$456,952, has been recorded as a liability in the appropriate funds.

(b) State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system. STRS is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS issues a stand-alone financial report that may be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 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.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 11 – PENSION BENEFITS (Continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year 2004 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,564,276, \$3,521,502, and \$3,424,488 respectively; 100 percent has been contributed for each fiscal year.

(c) Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security. At fiscal year-end, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

(a) School Employees Retirement System

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 fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 58,123.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The portion of the District's fiscal year 2005 contributions that were used to fund postemployment benefits, including the surcharge, was \$258,304.

(b) State Teachers Retirement System

The Ohio Revised Code authorizes the STRS Board to provide access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Under Ohio law, medical costs paid from the funds of the plan are included in the employer contribution rate, currently 14 percent of covered payroll. Of the 14% employer contribution rate, 1% of covered payroll was allocated to postemployment health care. For the District, this amount equaled \$254,489 for fiscal year 2005.

NOTE 13 – CONTINGENCIES

(a) Grants

The federal and state grants remain subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's administration believes such disallowances, if any, would be minimal.

(b) State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 14 – SET ASIDES

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 14 – SET ASIDES (Continued)

The following cash basis information describes the change in the fiscal year end set-aside amounts for the Textbooks and Capital Acquisition Reserves. The set-aside cash balance for the Textbook Reserve has been restated based on the District having qualifying disbursements which exceeded the prior year set-aside requirement at June 30, 2004, and this amount may be carried forward to future fiscal years. Disclosure of this information is required by state statute and is the following:

	Textbooks	Capital Acquisition
Set-aside cash balance		
as of June 30, 2004 (Restated)	\$ (166,637)	\$ -
Current fiscal year set-aside requirement	892,199	892,199
Qualifying Disbursements	(1,050,751)	(1,057,090)
Total	\$ (325,189)	\$ (164,891)
Set-aside balance carried forward to FY 2006	\$ (325,189)	\$ -

The District had qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero for the textbook reserve and this amount may be used to reduce the set-aside requirement for future fiscal years. The negative amount is therefore presented as being carried forward to next fiscal year. The District also had qualifying disbursements during the year that reduced the set-aside amounts below zero for the Capital Acquisition Reserve. This amount may not be used to reduce the set-aside requirement for future fiscal years.

NOTE 15 – COMPLIANCE AND ACCOUNTABILITY

Fund balances at fiscal year end 2005 included the following individual deficits:

Fund Name	Deficit
Disadvantaged Pupil Impact Program	\$ 9,116
Title II-D	4,576
IDEA Preschool Handicapped Grant	1,436

The fund deficits listed above resulted from the application of accounting principles generally accepted in the United States of America. The General Fund is liable for the deficits in the Special Revenue Funds and provides operating transfers when cash is required, not when accruals occur.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District’s financial position or results of operations.

NOTE 17 – RESTATEMENT OF BEGINNING NET ASSETS AND FUND BALANCES

The District’s fiscal year 2005 basic financial statements reflect prior period adjustments to the General Fund and Other Governmental Fund balances.

Governmental fund balances have been restated for the following:

- a) To properly reflect the District’s obligation for contractually obligated pension liability, in accordance with GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, issued in December 2004.
- b) To properly reflect amounts due from other governments.
- c) To reclassify activities previously reported in Other Governmental Funds as General Fund activity.

These adjustments had the following effects on fund balance and net asset beginning balances:

	General Fund	Other Governmental Funds
Beginning Fund Balances, as previously reported	\$ 714,943	\$ 618,056
Due To Other Governments - Pension Liability	(211,613)	(39,294)
Due From Other Governments	181,545	-
Fund Reclassification	368,707	(368,707)
Beginning Fund Balances, as restated	\$ 1,053,582	\$ 210,055
	Governmental Activities	
Beginning Net Assets, as previously reported	\$ 13,931,099	
Due To Other Governments - Pension Liability	181,545	
Beginning Net Assets, as restated	\$ 14,112,644	

The beginning balance for the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) has also been restated from \$6,842,574 to \$7,211,281 based upon fund reclassifications.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass-Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$ 108,733	\$ -	\$ 108,733
School Breakfast Program	046979-05PU-2004 046979-05PU-2005	10.553	74,311	-	74,311	-
National School Lunch Program	046979-LLP4-2004 046979-LLP4-2005	10.555	<u>602,820</u>	<u>-</u>	<u>602,820</u>	<u>-</u>
Total U.S. Department of Agriculture - Nutrition Cluster:			<u>677,131</u>	<u>108,733</u>	<u>677,131</u>	<u>108,733</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	046979-C1S1-2005	84.010	627,099	-	561,894	-
Special Education Cluster:						
Special Education Grants to States	046979-6BSF-2005	84.027	1,301,850	-	1,244,459	-
Special Education - Preschool Grants	046979-PGS1-2005	84.173	<u>35,953</u>	<u>-</u>	<u>38,122</u>	<u>-</u>
Total Special Education Cluster			<u>1,337,803</u>	<u>-</u>	<u>1,282,581</u>	<u>-</u>
Safe and Drug Free Schools and Communities	046979-DRS1-2005	84.186	27,465	-	27,532	-
Innovative Education Program Strategies	046979-C2S1-2005	84.298	31,220	-	48,443	-
Technology Literacy Challenge Fund Grants	046979-TJS1-2004	84.318	16,672	-	30,165	-
Advanced Placement Program	046979-AVTF-2004	84.330	260	-	260	-
Comprehensive School Reform Demonstrator	046979-RFS3-2003	84.332	41,000	-	2,346	-
English Language Acquisition Grant	046979-T3S1-2004 046979-T3S1-2005	84.365	21,407	-	22,813	-
Improving Teacher Quality State Grants	046979-TRS1-2005	84.367	<u>201,578</u>	<u>-</u>	<u>207,153</u>	<u>-</u>
Total U.S. Department of Education			<u>2,304,504</u>	<u>-</u>	<u>2,183,187</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of MR/DD</i>						
State Children's Health Insurance Program	N/A	93.767	26,574	-	26,574	-
Medical Assistance Program	N/A	93.778	<u>220,608</u>	<u>-</u>	<u>220,608</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>247,182</u>	<u>-</u>	<u>247,182</u>	<u>-</u>
Total Federal Awards			\$ <u>3,228,817</u>	\$ <u>108,733</u>	\$ <u>3,107,500</u>	\$ <u>108,733</u>

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the accompanying Schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. 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.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Education
Groveport Madison Local School District
5940 Clyde Moore Drive, Suite C
Groveport, Ohio 43125

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Groveport Madison Local School District, Franklin County, Ohio (the District) as of and for the fiscal year ended June 30, 2005 and have issued our report thereon dated January 20, 2006. As disclosed within Note 16, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. As disclosed in Note 17, the District adopted GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. In addition, as disclosed at Note 17, the District had a restatement of beginning fund balances due to errors and omissions and fund reclassifications which occurred in the prior fiscal year. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated January 20, 2006.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
January 20, 2006



**Report on Compliance With Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Education
Groveport Madison Local School District
5940 Clyde Moore Drive, Suite C
Groveport, Ohio 43125

Compliance

We have audited the compliance of the Groveport Madison Local School District, Franklin 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 fiscal year ended June 30, 2005. As disclosed within Note 16, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. As disclosed in Note 17, the District adopted GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. In addition, as disclosed at Note 17, the District had a restatement of beginning fund balances due to errors and omissions and fund reclassifications which occurred in the prior fiscal year. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 fiscal year ended June 30, 2005.

Wilson, Shannon & Snow, Inc.

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FAX (740) 345-5635

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance and its operation that we have reported to management of the District in a separate letter dated January 20, 2006.

This report is intended solely for the information and use of management, Board of Education, the Auditor of State, 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.

Wilson, Shuman & Sons, Inc.

Newark, Ohio
January 20, 2006

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

JUNE 30, 2005

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 each major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for each major federal program?	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 \ 84.010 Special Education Cluster \ 84.027 and 84.173
<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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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

JUNE 30, 2005

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

None were noted

3. FINDINGS FOR FEDERAL AWARDS

None were noted

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)

JUNE 30, 2005

Finding Number	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	Eighty-five percent of student activity Sales Potential Forms and Activity Summary Reports did not provide sufficient detail to recalculate amounts that should have been collected.	No	Partially corrected; repeated in the Management Letter.
2004-002	The lack of complete ticket summary forms, including beginning and ending ticket numbers and signature of preparer, allows for undetected error and increases the risk of fraud.	Yes	N/A



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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2006**