

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 12, 2007

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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

*Unaudited*

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

## FINANCIAL HIGHLIGHTS

### **Key financial highlights for 2006 are as follows:**

In total, net assets increased \$5,577,857. Net assets of governmental activities increased \$5,729,572, which represents a 72.2% increase from 2005. Net assets of business-type activities decreased \$151,715 or 121.2% from 2005.

General revenues accounted for \$56,519,319 in revenue or 92.6% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,543,321 or 7.4% of total revenues of \$61,602,640.

The District had \$53,254,532 in expenses related to governmental activities; only \$2,464,785 of these expenses were offset by program specific charges for services, grants or contributions. General revenues were adequate to provide for these programs.

Among major funds, the general fund had \$43,537,141 in revenues and \$41,737,408 in expenditures. The general fund's fund balance increased by \$1,719,668 to ending balance of \$1,361,098. The increase is a result of not transferring monies to support the proprietary funds as was done in 2005.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

# **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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

***Unaudited***

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## Government-wide Statements

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

These statements report the District's net assets and changes in those assets. The change in net-assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

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

**Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

**Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service, uniform school supplies, rotary and day care are reported as business activities.

## Fund Financial Statements

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

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

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

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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

**Unaudited**

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

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2006 compared to 2005.

	Governmental Activities		Business-type Activities		Total	
	2006	Restated 2005	2006	2005	2006	Restated 2005
	Current and other assets	\$99,574,752	\$78,514,386	(\$108,739)	(\$70,898)	\$99,466,013
Capital assets, Net	60,684,871	53,948,651	383,670	440,275	61,068,541	54,388,926
Total assets	160,259,623	132,463,037	274,931	369,377	160,534,554	132,832,414
Long-term debt outstanding	115,123,604	89,081,128	52,631	46,964	115,176,235	89,128,092
Other liabilities	31,471,604	35,447,066	248,819	197,217	31,720,423	35,644,283
Total liabilities	146,595,208	124,528,194	301,450	244,181	146,896,658	124,772,375
Net assets						
Invested in capital assets, net of related debt	10,561,718	7,160,040	383,670	440,275	10,945,388	7,600,315
Restricted	7,114,555	3,272,760	0	0	7,114,555	3,272,760
Unrestricted	(4,011,858)	(2,497,957)	(410,189)	(315,079)	(4,422,047)	(2,813,036)
Total net assets	<u>\$13,664,415</u>	<u>\$7,934,843</u>	<u>(\$26,519)</u>	<u>\$125,196</u>	<u>\$13,637,896</u>	<u>\$8,060,039</u>

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# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal years 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	Restated 2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services and Sales	\$676,394	\$583,874	\$1,645,463	\$1,522,357	\$2,321,857	\$2,106,231
Operating Grants and Contributions	1,664,841	1,886,502	433,073	410,138	2,097,914	2,296,640
Capital Grants and Contributions	123,550	35,070	0	0	123,550	35,070
Total Program Revenues	<u>2,464,785</u>	<u>2,505,446</u>	<u>2,078,536</u>	<u>1,932,495</u>	<u>4,543,321</u>	<u>4,437,941</u>
General Revenues:						
Property Taxes	33,443,071	29,884,641	0	0	33,443,071	29,884,641
Grants and Entitlements	16,888,629	16,648,589	0	0	16,888,629	16,648,589
Other	6,187,619	1,085,464	0	0	6,187,619	1,085,464
Total General Revenues	<u>56,519,319</u>	<u>47,618,694</u>	<u>0</u>	<u>0</u>	<u>56,519,319</u>	<u>47,618,694</u>
Total Revenues	<u>58,984,104</u>	<u>50,124,140</u>	<u>2,078,536</u>	<u>1,932,495</u>	<u>61,062,640</u>	<u>52,056,635</u>
Program Expenses						
Instruction	27,710,375	27,073,890	0	0	27,710,375	27,073,890
Support Services:						
Pupils	2,659,324	2,449,913	0	0	2,659,324	2,449,913
Instructional Staff	4,096,720	4,541,169	0	0	4,096,720	4,541,169
Board of Education	17,110	17,732	0	0	17,110	17,732
Administration	3,338,747	3,289,031	0	0	3,338,747	3,289,031
Fiscal Services	1,195,205	1,241,060	0	0	1,195,205	1,241,060
Business	722,097	682,790	0	0	722,097	682,790
Operation and Maintenance of Plant	4,776,579	3,502,867	0	0	4,776,579	3,502,867
Pupil Transportation	2,424,585	2,421,243	0	0	2,424,585	2,421,243
Central	339,987	276,182	0	0	339,987	276,182
Operation of Non-Instructional Services	140,004	90,785	0	0	140,004	90,785
Extracurricular Activities	1,272,758	1,243,503	0	0	1,272,758	1,243,503
Interest and Fiscal Charges	4,561,041	2,969,691	0	0	4,561,041	2,969,691
Food Service	0	0	1,771,620	1,652,798	1,771,620	1,652,798
Uniform School Supplies	0	0	85,675	92,818	85,675	92,818
Rotary-Special Services	0	0	12,125	7,717	12,125	7,717
Special Enterprise-Day Care	0	0	360,831	388,800	360,831	388,800
Total expenses	<u>53,254,532</u>	<u>49,799,856</u>	<u>2,230,251</u>	<u>2,142,133</u>	<u>55,484,783</u>	<u>51,941,989</u>
Change in Net Assets before transfers	5,729,572	324,284	(151,715)	(209,638)	5,577,857	114,646
Transfers	0	(600,000)	0	600,000	0	0
Total Change in Net Assets	5,729,572	(275,716)	(151,715)	390,362	5,577,857	114,646
Beginning Net Assets, Restated	7,934,843	8,210,559	125,196	(265,166)	8,060,039	7,945,393
Total Net Assets	<u>\$13,664,415</u>	<u>\$7,934,843</u>	<u>(\$26,519)</u>	<u>\$125,196</u>	<u>\$13,637,896</u>	<u>\$8,060,039</u>

## Governmental Activities

Net assets of the District's governmental activities increased by \$5,729,572. The primary factors for the increase were the donation of land valued at over \$2.5 million, the additional investment earnings generated by increasing interest rates and investment of additional available funding and an additional \$2 million available for an advance on property taxes.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

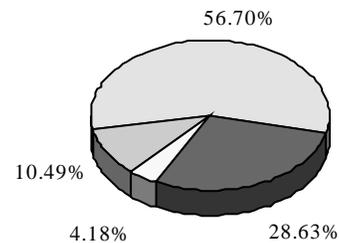
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006**

**Unaudited**

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

Property taxes made up 57% of revenues for governmental activities for Marysville Exempted Village Schools in fiscal year 2006. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2006	Percent of Total
General Tax Revenues	\$33,443,071	56.70%
General Grants	16,888,629	28.63%
Program Revenues	2,464,785	4.18%
General Other	6,187,619	10.49%
Total Revenue	<u>\$58,984,104</u>	<u>100.00%</u>



### Business-Type Activities

Net assets of the business-type activities decreased by \$151,715. This decrease is a result of operating expenses of the food service operations exceeding revenues. Business activities receive no support from tax revenues.

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$66,723,414 which is greater than last year's balance of \$42,380,009. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase (Decrease)
General	\$1,361,098	(\$358,570)	\$1,719,668
Bond Retirement	3,036,673	6,896,862	(3,860,189)
Permanent Improvement	3,526,650	2,532,454	994,196
Building Acquisition and Construction	58,389,732	32,965,285	25,424,447
Other Governmental	409,261	343,978	65,283
Total	<u>\$66,723,414</u>	<u>\$42,380,009</u>	<u>\$24,343,405</u>

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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

**Unaudited**

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

	2006 <u>Revenues</u>	2005 <u>Revenues</u>	Increase <u>(Decrease)</u>
Taxes	\$26,572,985	\$25,976,618	\$596,367
Tuition	183,521	121,182	62,339
Transportation Fees	11,069	13,392	(2,323)
Investment Earnings	468,170	114,608	353,562
Class Materials and Fees	150,263	130,604	19,659
Intergovernmental - State	15,534,742	15,770,068	(235,326)
Intergovernmental - Federal	20,142	20,897	(755)
All Other Revenue	<u>596,249</u>	<u>408,497</u>	<u>187,752</u>
Total	<u>\$43,537,141</u>	<u>\$42,555,866</u>	<u>\$981,275</u>

General Fund revenues in 2006 increased approximately 2.3% compared to revenues in fiscal year 2005. The primary factors contributing to this increase were an increase in the amount available as an advance in property taxes and the increase in investment earnings due to rising interest rates on investments and the increase in available monies to invest.

	2006 <u>Expenditures</u>	2005 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Instruction	\$24,011,976	\$22,443,430	\$1,568,546
Supporting Services:			
Pupils	2,499,952	2,272,514	227,438
Instructional Staff	3,365,847	3,293,502	72,345
Board of Education	15,713	16,072	(359)
Administration	3,094,574	3,014,446	80,128
Fiscal Services	1,040,228	1,065,783	(25,555)
Business	689,326	653,870	35,456
Operation & Maintenance of Plant	3,481,142	3,251,026	230,116
Pupil Transportation	2,221,923	2,037,155	184,768
Central	307,805	250,057	57,748
Operation of Non-Instructional Services	6,792	2,544	4,248
Extracurricular Activities	907,740	850,256	57,484
Debt Service			
Principal Retirement	55,000	55,000	0
Interest and Fiscal Charges	<u>39,390</u>	<u>41,521</u>	<u>(2,131)</u>
Total	<u>\$41,737,408</u>	<u>\$39,247,176</u>	<u>\$2,490,232</u>

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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

**Unaudited**

The expenditures increased by \$2,490,232 or 6.3% compared to the prior year mostly due to increases in salaries and wages. As a result of an increased student population, additional personnel were added in Instruction and Instructional Staff. In addition there was a change in the instructional staff salary index.

The Bond Retirement Fund refunded debt which decreased the fund balance from \$6,896,862 to \$3,036,673.

The Permanent Improvement Fund increased from \$2,532,454 to \$3,526,650 as a result of a 6.4% decrease in expenditures primarily due to a concerted effort to decrease expenditures.

The Building Acquisition and Construction Fund received proceeds of \$28,400,000 from the issuance of general obligation bonds which increased the fund balance from \$32,965,285 to \$58,389,732. The fund also began several school improvement projects, including the addition of classrooms to the Creekview Intermediate Building, the construction of a new elementary building, the construction of a new intermediate/middle school combination, additional classroom space for the high school and the acquisition of land for a future school.

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

During the course of fiscal year 2006 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$42.8 million, slightly above original budget estimates of \$42.1 million.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal 2006 the District had \$61,068,541, net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$60,684,871 was related to governmental activities and \$383,670 to the business-type activities. The following table shows fiscal year 2005 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$6,328,996	\$1,650,479	\$4,678,517
Land Improvements	3,513,625	3,509,435	4,190
Buildings and Improvements	58,196,463	56,604,275	1,592,188
Furniture, Fixtures and Equipment	13,277,292	13,277,709	(417)
Vehicles	2,587,793	2,461,334	126,459
Construction in Progress	1,846,678	181,164	1,665,514
Less: Accumulated Depreciation	(25,065,976)	(23,735,745)	(1,330,231)
Totals	\$60,684,871	\$53,948,651	\$6,736,220

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Furniture and Equipment	\$1,038,350	\$1,044,297	(\$5,947)
Less: Accumulated Depreciation	(654,680)	(604,022)	(50,658)
Totals	\$383,670	\$440,275	(\$56,605)

The primary increase occurred in land, buildings and improvements and construction in progress for the addition of classrooms to the Creekview Intermediate Building, the construction of a new elementary building, the construction of a new intermediate/middle school combination, additional classroom space for the high school and the acquisition of land for a future school.

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

### Debt

At June 30, 2006, the District had \$115.2 million in bonds, notes, capital leases and compensated absences outstanding, \$2,045,562 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2006:

	2006	2005
Governmental Activities:		
General Obligation Bonds:		
School Improvement	\$109,913,472	\$40,525,447
Installment Notes Payable	730,000	785,000
Capital Leases Payable	1,826,000	45,295,539
Compensated Absences	2,654,132	2,475,142
Total Governmental Activities	115,123,604	89,081,128
Business-Type Activities:		
Compensated Absences	52,631	46,964
Totals	\$115,176,235	\$89,128,092

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property with certain exceptions. One such exception is to receive a special needs district certification from the Superintendent of Public Instruction. The District was certified as a special needs district on June 29, 2005 and as a result may incur net indebtedness by issuance of securities in an amount that does not exceed 9% of the projected increase of its tax valuation during the next ten years. As of June 30, 2006, the District did not exceed the special needs district debt limitation. Additional information on the District's long-term debt can be found in Note 13.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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

*Unaudited*

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### ECONOMIC FACTORS

The District relies on its property taxes and State Foundation Funds to provide the funds necessary to maintain its educational programs. The Marysville School district continues to be one of the fastest growing school districts in Central Ohio with a 5% growth rate per year. This year's growth brought the total school population to over 5,100 students. Our graduating class in 2002 was the last class under 300 students and the incoming kindergarten class in the fall of 2006 is over 400 students.

Union County is one of the fastest growing counties in Ohio and Marysville is one of the fastest growing cities in Ohio. We have had eight new housing developments in the past six years. Marysville industrial and commercial tax base is increasing and we have one of the lowest unemployment rates in Ohio.

The assessed valuation for Marysville schools went from \$788,225,810 in 2005 to \$765,661,230 in 2006. The decrease was in the assessed value of tangible personal property which is being phased out over the next five years.

House Bill 66, passed in 2005, phases out the tax on tangible personal property of general business, telephone and railroads. The tax on general business and railroad property will be eliminated by 2009 and the tax on telephone by 2011. The tax is phased out by reducing the assessment rate on the property each year. The loss and replacement of the tangible personal property revenues has been calculated by the Ohio Department of Taxation using 2004 as the base year. The base year amount is the amount of property tax revenue lost when the tax has been fully phased out. School districts are being "held harmless" and reimbursed for lost revenue in the first five years; in the following seven years, the reimbursements are phased out. Even with the direct reimbursement, a District will see no growth from tangible personal property revenues since the payment is calculated on a 2004 base year.

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

### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dolores Cramer, Treasurer of Marysville Exempted Village School District.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### **Statement of Net Assets** **June 30, 2006**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Digital Academy</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 16,595,886	\$ 157,581	\$ 16,753,467	\$ 110,890
Investments	52,608,013	0	52,608,013	0
Receivables:				
Taxes	28,369,611	0	28,369,611	0
Accounts	8,552	1,238	9,790	2,491
Intergovernmental	381,077	0	381,077	10,947
Interest	342,407	0	342,407	0
Internal Balance	277,232	(277,232)	0	0
Inventory of Supplies at Cost	0	8,383	8,383	0
Prepaid Items	68,214	1,291	69,505	0
Restricted Assets:				
Deferred Charges	923,760	0	923,760	0
Capital Assets:				
Nondepreciable Capital Assets	8,175,674	0	8,175,674	0
Depreciable Capital Assets, Net	52,509,197	383,670	52,892,867	68,077
Total Capital Assets, Net	<u>60,684,871</u>	<u>383,670</u>	<u>61,068,541</u>	<u>68,077</u>
<b>Total Assets</b>	<u>160,259,623</u>	<u>274,931</u>	<u>160,534,554</u>	<u>192,405</u>
<b>Liabilities:</b>				
Accounts Payable	196,608	34,356	230,964	5,888
Contracts Payable	727,027	0	727,027	0
Accrued Wages and Benefits	4,497,455	112,663	4,610,118	0
Intergovernmental Payable	1,398,950	101,800	1,500,750	0
Deferred Revenue - Taxes	23,546,616	0	23,546,616	0
Early Retirement Incentive Payable	60,000	0	60,000	0
Accrued Interest Payable	209,948	0	209,948	0
General Obligation Notes Payable	835,000	0	835,000	0
Long Term Liabilities:				
Due Within One Year	2,045,562	0	2,045,562	0
Due in More Than One Year	113,078,042	52,631	113,130,673	0
<b>Total Liabilities</b>	<u>146,595,208</u>	<u>301,450</u>	<u>146,896,658</u>	<u>5,888</u>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	10,561,718	383,670	10,945,388	68,077
Restricted For:				
Capital Projects	4,317,953	0	4,317,953	0
Debt Service	2,705,189	0	2,705,189	0
Other Purposes	91,413	0	91,413	0
Unrestricted (Deficit)	(4,011,858)	(410,189)	(4,422,047)	118,440
<b>Total Net Assets</b>	<u>\$ 13,664,415</u>	<u>\$ (26,519)</u>	<u>\$ 13,637,896</u>	<u>\$ 186,517</u>

See accompanying notes to the basic financial statements

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Statement of Activities For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 27,710,375	\$ 411,577	\$ 1,062,307	\$ 0
Support Services:				
Pupils	2,659,324	0	0	0
Instructional Staff	4,096,720	0	258,342	0
Board of Education	17,110	0	0	0
Administration	3,338,747	0	187,468	0
Fiscal Services	1,195,205	0	28,656	0
Business	722,097	0	0	0
Operation and Maintenance of Plant	4,776,579	0	0	0
Pupil Transportation	2,424,585	11,069	0	123,550
Central	339,987	0	16,825	0
Operation of Non-Instructional Services	140,004	0	100,690	0
Extracurricular Activities	1,272,758	253,748	10,553	0
Interest and Fiscal Charges	4,561,041	0	0	0
<b>Total Governmental Activities</b>	<b>53,254,532</b>	<b>676,394</b>	<b>1,664,841</b>	<b>123,550</b>
<b>Business-Type Activities:</b>				
Food Service	1,771,620	1,185,171	433,073	0
Uniform School Supplies	85,675	110,873	0	0
Rotary - Special Services	12,125	5,606	0	0
Special Enterprise-Day Care	360,831	343,813	0	0
<b>Total Business-Type Activities</b>	<b>2,230,251</b>	<b>1,645,463</b>	<b>433,073</b>	<b>0</b>
<b>Totals</b>	<b>\$ 55,484,783</b>	<b>\$ 2,321,857</b>	<b>\$ 2,097,914</b>	<b>\$ 123,550</b>
<b>Component Unit:</b>				
Digital Academy	\$ 479,686	\$ 0	\$ 167,263	\$ 0

### General Revenues

Property Taxes Levied for:  
    General Purposes  
    Debt Service  
    Capital Outlay  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Digital Academy
\$ (26,236,491)	\$ 0	\$ (26,236,491)	
(2,659,324)	0	(2,659,324)	
(3,838,378)	0	(3,838,378)	
(17,110)	0	(17,110)	
(3,151,279)	0	(3,151,279)	
(1,166,549)	0	(1,166,549)	
(722,097)	0	(722,097)	
(4,776,579)	0	(4,776,579)	
(2,289,966)	0	(2,289,966)	
(323,162)	0	(323,162)	
(39,314)	0	(39,314)	
(1,008,457)	0	(1,008,457)	
(4,561,041)	0	(4,561,041)	
<u>(50,789,747)</u>	<u>0</u>	<u>(50,789,747)</u>	
0	(153,376)	(153,376)	
0	25,198	25,198	
0	(6,519)	(6,519)	
<u>0</u>	<u>(17,018)</u>	<u>(17,018)</u>	
<u>0</u>	<u>(151,715)</u>	<u>(151,715)</u>	
<u>(50,789,747)</u>	<u>(151,715)</u>	<u>(50,941,462)</u>	
			\$ <u>(312,423)</u>
26,635,334	0	26,635,334	0
3,578,372	0	3,578,372	0
3,229,365	0	3,229,365	0
16,888,629	0	16,888,629	397,620
2,810,279	0	2,810,279	0
3,377,340	0	3,377,340	4,392
<u>56,519,319</u>	<u>0</u>	<u>56,519,319</u>	<u>402,012</u>
5,729,572	(151,715)	5,577,857	89,589
<u>7,934,843</u>	<u>125,196</u>	<u>8,060,039</u>	<u>96,928</u>
<u>\$ 13,664,415</u>	<u>\$ (26,519)</u>	<u>\$ 13,637,896</u>	<u>\$ 186,517</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,503,387	\$ 2,460,887	\$ 3,202,048
Investments	997,190	0	0
Receivables:			
Taxes	22,081,922	3,456,182	2,831,507
Accounts	8,552	0	0
Intergovernmental	0	0	0
Interest	9,625	0	0
Interfund Loan Receivable	31,678	0	0
Prepaid Items	58,507	0	9,707
Restricted Assets:			
Advance to Other Funds	252,232	0	0
<b>Total Assets</b>	<u>\$ 25,943,093</u>	<u>\$ 5,917,069</u>	<u>\$ 6,043,262</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 59,327	\$ 0	\$ 102,180
Contracts Payable	0	0	0
Accrued Wages and Benefits	4,305,849	0	0
Intergovernmental Payable	1,361,599	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue - Taxes	18,684,033	2,880,396	2,414,432
Deferred Revenue	9,625	0	0
Early Retirement Incentive Payable	60,000	0	0
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Compensated Absences Payable	101,562	0	0
<b>Total Liabilities</b>	<u>24,581,995</u>	<u>2,880,396</u>	<u>2,516,612</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	248,142	0	362,671
Reserved for Debt Service	0	2,460,887	0
Reserved for Property Taxes	3,397,889	575,786	417,075
Unreserved, Undesignated in:			
General Fund (Deficit)	(2,284,933)	0	0
Special Revenue Funds	0	0	0
Capital Projects Funds	0	0	2,746,904
<b>Total Fund Balances</b>	<u>1,361,098</u>	<u>3,036,673</u>	<u>3,526,650</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 25,943,093</u>	<u>\$ 5,917,069</u>	<u>\$ 6,043,262</u>

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
\$ 8,039,542	\$ 363,860	\$ 16,569,724
51,610,823	0	52,608,013
0	0	28,369,611
0	0	8,552
0	381,077	381,077
332,782	0	342,407
0	0	31,678
0	0	68,214
0	0	252,232
<u>\$ 59,983,147</u>	<u>\$ 744,937</u>	<u>\$ 98,631,508</u>
\$ 17,767	\$ 17,334	\$ 196,608
727,027	0	727,027
0	191,606	4,497,455
0	37,351	1,398,950
0	6,678	6,678
0	0	23,978,861
9,973	82,707	102,305
0	0	60,000
3,648	0	3,648
835,000	0	835,000
0	0	101,562
<u>1,593,415</u>	<u>335,676</u>	<u>31,908,094</u>
6,513,162	53,612	7,177,587
0	0	2,460,887
0	0	4,390,750
0	0	(2,284,933)
0	355,649	355,649
51,876,570	0	54,623,474
<u>58,389,732</u>	<u>409,261</u>	<u>66,723,414</u>
<u>\$ 59,983,147</u>	<u>\$ 744,937</u>	<u>\$ 98,631,508</u>

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2006***

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<b>Total Governmental Fund Balances</b>	\$ 66,723,414
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not current resources and therefore are not reported in the funds.	60,684,871
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	534,550
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	26,162
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-Term Notes Payable	(730,000)
General Obligation Bonds Payable	(105,104,567)
Deferred Amount on Refunding	2,588,999
Issuance Premium	(3,624,311)
Interest Accretion	(3,773,593)
Deferred Charge for Issuance Costs	923,760
Capital Leases Payable	(1,826,000)
Compensated Absences Payable	(2,552,570)
Accrued Interest Payable	(206,300)
	<u>(114,304,582)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 13,664,415</u></u></b>

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2006**

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	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>
<b>Revenues:</b>			
Local Sources:			
Taxes	\$ 26,572,985	\$ 3,558,672	\$ 3,222,362
Tuition	183,521	0	0
Transportation Fees	11,069	0	0
Investment Earnings	468,170	503,012	0
Extracurricular Activities	0	0	0
Class Materials and Fees	150,263	0	0
Intergovernmental - State	15,534,742	1,192,527	242,294
Intergovernmental - Federal	20,142	0	0
All Other Revenue	596,249	0	145
<b>Total Revenue</b>	<u>43,537,141</u>	<u>5,254,211</u>	<u>3,464,801</u>
<b>Expenditures:</b>			
Current:			
Instruction	24,011,976	0	397,197
Supporting Services:			
Pupils	2,499,952	0	0
Instructional Staff	3,365,847	0	800,844
Board of Education	15,713	0	0
Administration	3,094,574	0	8,199
Fiscal Services	1,040,228	64,995	48,976
Business	689,326	0	12,644
Operation and Maintenance of Plant	3,481,142	0	559,394
Pupil Transportation	2,221,923	0	451,520
Central	307,805	0	0
Operation of Non-Instructional Services	6,792	0	0
Extracurricular Activities	907,740	0	0
Capital Outlay	0	0	191,831
Debt Service:			
Principal Retirement	55,000	1,210,000	0
Interest and Fiscal Charges	39,390	4,529,482	0
<b>Total Expenditures</b>	<u>41,737,408</u>	<u>5,804,477</u>	<u>2,470,605</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 33,354,019
0	45,751	229,272
0	0	11,069
1,915,108	0	2,886,290
0	349,090	349,090
0	0	150,263
0	186,014	17,155,577
0	1,581,119	1,601,261
0	25,311	621,705
<u>1,915,108</u>	<u>2,187,285</u>	<u>56,358,546</u>
5,998	1,112,497	25,527,668
0	72,577	2,572,529
39,011	263,110	4,468,812
0	0	15,713
0	194,416	3,297,189
0	28,657	1,182,856
6,691	0	708,661
727,027	0	4,767,563
0	1,372	2,674,815
0	31,293	339,098
0	139,661	146,453
0	277,864	1,185,604
5,458,062	2,000	5,651,893
0	0	1,265,000
21,054	0	4,589,926
<u>6,257,843</u>	<u>2,123,447</u>	<u>58,393,780</u>

(Continued)

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2006**

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	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>
Excess (Deficiency) of Revenues			
Over Expenditures	1,799,733	(550,266)	994,196
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	13,778	0	0
General Obligation Refunding Bonds Issued	0	12,349,984	0
Premium on General Obligation Refunding Bonds Issued	0	3,415,769	0
Payment to Refunded Bond Escrow Agent	0	(19,435,231)	0
General Obligation Bonds Issued	0	0	0
Premium on General Obligation Bonds Issued	0	359,555	0
Transfers In	0	0	0
Transfers Out	(93,843)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>(80,065)</u>	<u>(3,309,923)</u>	<u>0</u>
Net Change in Fund Balance	1,719,668	(3,860,189)	994,196
<b>Fund Balances at Beginning of Year</b>	<u>(358,570)</u>	<u>6,896,862</u>	<u>2,532,454</u>
<b>Fund Balances End of Year</b>	<u><u>\$ 1,361,098</u></u>	<u><u>\$ 3,036,673</u></u>	<u><u>\$ 3,526,650</u></u>

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
(4,342,735)	63,838	(2,035,234)
0	0	13,778
40,284,966	0	52,634,950
0	0	3,415,769
(39,010,182)	0	(58,445,413)
28,400,000	0	28,400,000
0	0	359,555
92,398	1,445	93,843
0	0	(93,843)
29,767,182	1,445	26,378,639
25,424,447	65,283	24,343,405
32,965,285	343,978	42,380,009
\$ 58,389,732	\$ 409,261	\$ 66,723,414

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***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, 2006***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 24,343,405

***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 capital outlays exceeded depreciation in the current period. 6,940,451

The effect of disposals of capital assets is to decrease net assets. (204,231)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (77,330)

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. (24,066,611)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (60,250)

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	(241,633)
Interest Accretion	(877,763)
Amortization of Deferred Loss on Refunding	(107,875)
Amortization of Deferred Charge for Bond Issuance Costs	(38,490)
Amortization of Premium on Bond Issuance	151,013

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (31,114)

***Change in Net Assets of Governmental Activities*** \$ 5,729,572

See accompanying notes to the basic financial statements

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**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, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 25,153,874	\$ 25,088,237	\$ 25,088,237	\$ 0
Tuition	90,000	183,521	183,521	0
Transportation Fees	30,000	11,545	11,545	0
Investment Earnings	175,000	427,356	468,170	40,814
Class Material and Fees	140,439	149,412	149,945	533
Intergovernmental - State	16,058,963	15,535,583	15,534,742	(841)
Intergovernmental - Federal	19,652	20,142	20,142	0
All Other Revenues	<u>353,025</u>	<u>490,499</u>	<u>584,201</u>	<u>93,702</u>
Total Revenues	<u>42,020,953</u>	<u>41,906,295</u>	<u>42,040,503</u>	<u>134,208</u>
<b>Expenditures:</b>				
Current:				
Instruction	23,930,337	24,127,805	23,832,685	295,120
Support Services:				
Pupils	2,478,920	2,472,884	2,454,673	18,211
Instructional Staff	3,352,826	3,373,792	3,317,536	56,256
Board of Education	16,307	19,705	19,408	297
Administration	3,070,349	3,082,730	3,034,422	48,308
Fiscal Services	1,052,261	1,051,789	1,034,787	17,002
Business	775,925	797,044	704,844	92,200
Operation and Maintenance of Plant	3,662,188	3,627,862	3,540,981	86,881
Pupil Transportation	2,205,793	2,221,388	2,196,579	24,809
Central	306,248	316,357	315,832	525
Non-Instructional Operations	2,000	2,000	1,940	60
Extracurricular Activities	862,567	894,733	881,422	13,311
Debt Service:				
Principal Retirement	950,000	950,000	950,000	0
Interest and Fiscal Charges	<u>71,879</u>	<u>71,878</u>	<u>71,788</u>	<u>90</u>
Total Expenditures	<u>42,737,600</u>	<u>43,009,967</u>	<u>42,356,897</u>	<u>653,070</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(716,647)	(1,103,672)	(316,394)	787,278
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	30,500	13,772	13,778	6
General Obligation Notes Issued	0	835,000	835,000	0
Transfers In	0	3,227	3,227	0
Transfers Out	(1,445)	(1,445)	(1,445)	0
Advances In	6,973	6,973	6,973	0
Advances Out	0	0	(31,678)	(31,678)
Refund of Prior Year's Expenditures	<u>5,000</u>	<u>5,000</u>	<u>2,383</u>	<u>(2,617)</u>
Total Other Financing Sources (Uses):	<u>41,028</u>	<u>862,527</u>	<u>828,238</u>	<u>(34,289)</u>
Net Change in Fund Balance	(675,619)	(241,145)	511,844	752,989
Fund Balance at Beginning of Year	2,339,371	2,339,371	2,339,371	0
Prior Year Encumbrances	<u>342,419</u>	<u>342,419</u>	<u>342,419</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,006,171</u>	<u>\$ 2,440,645</u>	<u>\$ 3,193,634</u>	<u>\$ 752,989</u>

See accompanying notes to the basic financial statements

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

***Statement of Net Assets***  
***Proprietary Funds***  
***June 30, 2006***

	<u>Business-Type Activities - Nonmajor Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 157,581	\$ 26,162
Receivables:		
Accounts	1,238	0
Inventory of Supplies at Cost	8,383	0
Prepaid Items	1,291	0
<i>Total Current Assets</i>	<u>168,493</u>	<u>26,162</u>
<i>Non Current Assets:</i>		
Capital Assets, Net	<u>383,670</u>	<u>0</u>
<b>Total Assets</b>	<u>552,163</u>	<u>26,162</u>
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accounts Payable	34,356	0
Accrued Wages and Benefits	112,663	0
Intergovernmental Payable	101,800	0
Interfund Loans Payable	25,000	0
<i>Total Current Liabilities</i>	<u>273,819</u>	<u>0</u>
<i>Long Term Liabilities:</i>		
Advances from Other Funds	252,232	0
Compensated Absences Payable	52,631	0
<i>Total Long Term Liabilities</i>	<u>304,863</u>	<u>0</u>
<b>Total Liabilities</b>	<u>578,682</u>	<u>0</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	383,670	0
Unrestricted	(410,189)	26,162
<b>Total Net Assets</b>	<u>\$ (26,519)</u>	<u>\$ 26,162</u>

See accompanying notes to the basic financial statements

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2006**

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	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
<b>Operating Revenues:</b>		
Sales	\$ 1,183,971	\$ 0
Tuition and Fees	454,686	0
Interfund Charges	0	124,588
All Other Revenue	6,806	0
<b>Total Operating Revenues</b>	<b>1,645,463</b>	<b>124,588</b>
<b>Operating Expenses:</b>		
Salaries and Wages	861,179	0
Fringe Benefits	407,220	0
Contractual Services	48,261	659
Supplies and Materials	846,297	0
Depreciation	58,861	0
Claims	0	155,043
Other Operating Expense	1,989	0
<b>Total Operating Expenses</b>	<b>2,223,807</b>	<b>155,702</b>
Operating Loss	(578,344)	(31,114)
<b>Nonoperating Revenue (Expenses):</b>		
Operating Grants	433,073	0
Loss on Disposal of Capital Assets	(6,444)	0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>426,629</b>	<b>0</b>
Net Loss	(151,715)	(31,114)
Net Assets Beginning of Year	125,196	57,276
Net Assets End of Year	<u>\$ (26,519)</u>	<u>\$ 26,162</u>

See accompanying notes to the basic financial statements

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### ***Statement of Cash Flows***

#### ***Proprietary Funds***

***For the Fiscal Year Ended June 30, 2006***

	<u>Business -Type Activities - Nonmajor Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Cash Received from Customers	\$1,190,989	\$0
Cash Received from Tuition and Fee Payments	454,834	0
Cash Received from Interfund Charges	0	124,621
Cash Payments for Goods and Services	(782,249)	(659)
Cash Payments to Employees for Services and Benefits	(1,240,562)	(203,420)
Net Cash Used for Operating Activities	<u>(376,988)</u>	<u>(79,458)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>		
Advances In from General Fund	25,000	0
Operating Grants Received	362,163	0
Net Cash Provided by Noncapital Financing Activities	<u>387,163</u>	<u>0</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>		
Acquisition and Construction of Assets	(8,700)	0
Net Cash Used by Capital and Related Financing Activities	<u>(8,700)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,475	(79,458)
Cash and Cash Equivalents at Beginning of Year	156,106	105,620
Cash and Cash Equivalents at End of Year	<u>\$157,581</u>	<u>\$26,162</u>
<b><u>Reconciliation of Operating Loss to Net Cash</u></b>		
<b><u>Used for Operating Activities:</u></b>		
Operating Loss	(\$578,344)	(\$31,114)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation Expense	58,861	0
Donated Commodities Used During the Year	70,910	0
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	311	33
Decrease in Inventory	14,120	0
Increase in Prepaid Items	(115)	0
Increase in Accounts Payable	29,432	0
Increase in Accrued Wages and Benefits	9,637	0
Increase in Intergovernmental Payables	12,533	0
Decrease in Claims Payable	0	(48,377)
Increase in Compensated Absences	5,667	0
Total Adjustments	<u>201,356</u>	<u>(48,344)</u>
Net Cash Used for Operating Activities	<u>(\$376,988)</u>	<u>(\$79,458)</u>

**Schedule of Noncash Investing, Capital and Financing Activities:**

During fiscal year 2006, \$70,910 in donated commodities was received from the federal government.

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

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	Private Purpose Trust	
	Special Trust Fund	Agency Funds
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 6,667	\$ 42,559
Investments	19,986	0
Receivables:		
Interest	380	0
<b>Total Assets</b>	<u>27,033</u>	<u>42,559</u>
<b>Liabilities:</b>		
Due to Others	0	1,038
Due to Students	0	41,521
<b>Total Liabilities</b>	<u>0</u>	<u>42,559</u>
<b>Net Assets:</b>		
Unrestricted	27,033	0
<b>Total Net Assets</b>	<u>\$ 27,033</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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***Statement of Changes in Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2006***

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	<u>Private Purpose Trust</u>
	<u>Special Trust Fund</u>
<b>Additions:</b>	
Sales	\$ 3,126
Private Donations	1,625
Total Contributions	<u>4,751</u>
Investment Earnings:	
Interest	800
Total Additions	<u>5,551</u>
<b>Deductions:</b>	
Administrative Expenses	3,749
Community Gifts, Awards and Scholarships	1,375
Total Deductions	<u>5,124</u>
Change in Net Assets	427
Net Assets at Beginning of Year	<u>26,606</u>
Net Assets End of Year	<u><u>\$ 27,033</u></u>

See accompanying notes to the basic financial statements

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 221 noncertified and approximately 373 certified teaching personnel and administrative employees providing education to 5,155 students.

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

Discreetly Presented Component Unit - The component unit column on the Basic Financial Statements includes the financial data of the District's component unit. It is reported in a separate column to emphasize that it is legally separate from the District.

The Marysville Academy (the "Academy") is a legally separate not-for-profit served by an appointed six-member Board of Directors. The Academy, under a contractual agreement with the Marysville Exempted Village School District, provides comprehensive educational programs of high quality, tied to state and national standards, which can be delivered to students in the K-12 population through distance learning technologies and other educational options. It is operated in cooperation with the District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses, and others, including home-schooled students. The District elects three persons employed and serving in administrator positions within the District, one member who is neither an officer nor employee of the District who is a public educator or other public official representing a governmental entity that desires to further the establishment and operation of the Academy, and one member who is neither an officer nor employee of the District

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **A. Reporting Entity** (Continued)

but a person who represents the interests of parents and students served by the Academy. In addition, the Board of Directors shall include the Marysville Exempted Village School District Treasurer as a non-voting ex officio member who serves the Board of Directors in her official capacity as a representative of the Marysville Exempted Village School District Board of Education and its interests. Therefore, the Academy is reflected as a component unit of the Marysville Exempted Village School District. The Academy operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from Marysville Academy, 1000 Edgewood Drive, Marysville, Ohio, 43040.

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

##### **B. Basis of Presentation - Fund Accounting**

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

The following fund types are used by the District:

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

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

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

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

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

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

*Fiduciary Funds* – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore are not available to support the District’s own programs. The District’s only trust fund is a private purpose trust that accounts for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

#### **C. Basis of Presentation and Measurement Focus – Financial Statements**

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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 operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **D. Basis of Accounting**

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

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

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

Current property taxes measurable at June 30, 2006, and which are not intended to finance fiscal 2006 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2006 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds, governmental activities, and business-type activities and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB statements and interpretations issued after November 30, 1989 to business-type activities and enterprise funds.

**Revenues – Exchange and Non-exchange Transactions** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **D. Basis of Accounting** (Continued)

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

#### **E. Budgetary Process**

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

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

##### 1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. Adoption of a tax budget has been waived by the County Budget Commission.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **E. Budgetary Process** (Continued)

##### 2. Estimated Resources

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

##### 3. Appropriations

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

##### 4. Lapsing of Appropriations

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

##### 5. Budgetary Basis of Accounting

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**5. Budgetary Basis of Accounting (Continued)**

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

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$1,719,668
Increase (Decrease):	
Accrued Revenues at June 30, 2006, received during FY 2007	(3,438,119)
Accrued Revenues at June 30, 2005, received during FY 2006	1,922,386
Accrued Expenditures at June 30, 2006, paid during FY 2007	5,888,337
Accrued Expenditures at June 30, 2005, paid during FY 2006	(5,264,224)
FY 2005 Prepays for FY 2006	49,246
FY 2006 Prepays for FY 2007	(58,507)
Encumbrances Outstanding	(306,943)
Budget Basis	<u>\$511,844</u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, investments with original maturities of three months or less, Federated Money Market Accounts and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio and money market accounts are very liquid investments and are reported as cash equivalents in the basic financial statements.

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

# **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **G. Investments**

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

The District has invested funds in STAR Ohio during 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006. See Note 5, "Cash, Cash Equivalents and Investments."

#### **H. Inventory**

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

#### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### **J. Capital Assets and Depreciation**

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

##### **1. Property, Plant and Equipment - Governmental Activities**

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation** (Continued)

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

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

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

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

3. Depreciation

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

Description	Estimated Lives (in years)
Land Improvements	10-20
Buildings and Improvements	50
Furniture, Fixtures and Equipment	5-20
Vehicles	8

**K. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	General Obligation Bond Retirement Fund
Energy Conservation Project	General Fund
Compensated Absences	General Fund, Food Services Fund and Day Care Fund, Special Revenue Funds
Early Retirement Incentive Payable	General Fund
Capital Leases Payable	Permanent Improvement Fund

# **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **L. Compensated Absences**

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

#### **M. Net Assets**

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

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

#### **N. Pensions**

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

#### **O. Interfund Activity**

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

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **P. Reservations of Fund Balance**

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

#### **Q. Estimates**

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

#### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and tuition and fees for day care and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### NOTE 2 – RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2005, the District implemented an accounting change for the calculation of accumulated depreciation for capital assets in the Statement of Net Assets for Governmental Activities. The accounting change resulted in the restatement of net assets at June 30, 2005 of the Governmental Activities as follows:

	Governmental Activities
Net Assets Balance at June 30, 2005 as reported	\$5,173,125
Accounting Change for capital assets	2,761,718
Net Assets Balance at June 30, 2005 as restated	<u>\$7,934,843</u>

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

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

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

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

Capital Outlay	\$9,576,367
Depreciation Expense	<u>(2,635,916)</u>
	\$6,940,451

*Governmental revenues not reported in the funds:*

Increase in Delinquent Tax Revenue	\$89,052
Decrease in Investment Earnings	(76,011)
Decrease in Grants Receivable	<u>(90,371)</u>
	(\$77,330)

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

Bond Principal Payment	\$1,210,000
Energy Conservation Project	55,000
General Obligation Bonds Issued	(28,400,000)
Premium on Bonds Issued	(359,555)
Capital Lease Payment	71,000
Payment to Escrow Agent for Refunding	58,445,413
Refunding Bonds Issued	(52,634,950)
Premium on Refunding Bonds Issued	(3,415,769)
Deferred Bond Issuance Costs	<u>962,250</u>
	(\$24,066,611)

### NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

**Fund Deficits** - The fund deficit at June 30, 2006 of \$5,868 in the Title I Fund, (special revenue fund), arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficits of \$61,243 in the Food Services Fund and \$40,962 in Special Enterprise-Day Care Fund (enterprise funds) arose from the recognition of expenses on the accrual basis which are greater than expenses on the cash basis.

**Appropriations** - The District passed the permanent appropriation resolution January 25, 2006 almost four months after the date required by Ohio Revised Code § 5705.38(B). In addition, expenditures exceeded appropriations during the year within the Bond Retirement and Building Acquisition and Construction Fund resulting in noncompliance with Ohio Revised Code § 5705.41(B).

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by the General, Building Acquisition and Construction, and Special Trust funds. The District has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Treasurer to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income.

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

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006***

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

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$16,137,772 and the bank balance was \$16,360,034. Federal depository insurance covered \$310,650 of the bank balance and \$16,049,384 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	<u>\$16,049,384</u>
Total Balance	<u><u>\$16,049,384</u></u>

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

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

**B. Investments**

The District's investments at June 30, 2006 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3
STAR Ohio	\$55,259	AAAm <sup>1</sup>	\$55,259	\$0
Money Market Funds	629,648	AAA <sup>1</sup>	629,648	0
FNMA	997,190	AAA <sup>1</sup> , Aaa <sup>2</sup>	997,190	0
FHLB*	8,675,691	AAA <sup>1</sup> , Aaa <sup>2</sup>	6,931,550	1,744,141
FHLMC	35,671,660	AAA <sup>1</sup> , Aaa <sup>2</sup>	35,671,660	0
FNMA Notes	2,379,000	AAA <sup>1</sup> , Aaa <sup>2</sup>	2,379,000	0
FHLMC Notes	4,884,472	AAA <sup>1</sup> , Aaa <sup>2</sup>	4,884,472	0
Total Investments	<u>\$53,292,920</u>		<u>\$51,548,779</u>	<u>\$1,744,141</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

\* The securities have various call dates. The District believes no securities will be called.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 1.9% are FNMA, 16.3% are FHLB, 66.9% are FHLMC, 4.5% are FNMA Notes, and 9.2% are FHLMC Notes.

**C. Component Unit**

At year end the carrying amount of the Academy's deposits was of \$110,890 and the bank balance was \$190,402. The Federal Deposit Insurance Corporation (FDIC) covered \$100,000 of the bank balance, the remaining \$90,402 was uninsured and collateralized with securities held by the pledging institution's trust department not in the Academy's name.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

### NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2006 were levied in April 2005 on assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 18.75 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20. House Bill 66, passed in 2005, phases out the tax on tangible personal property of general business, telephone and railroads. The tax on general business and railroad property will be eliminated by 2009 and the tax on telephone by 2011. The tax is phased out by reducing the assessment rate on the property each year. The loss and replacement of the tangible personal property revenues has been calculated by the Ohio Department of Taxation using 2004 as the base year. The base year amount is the amount of property tax revenue lost when the tax has been fully phased out. School districts are being "held harmless" and reimbursed for lost revenue in the first five years; in the following seven years, the reimbursements are phased out.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marysville Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2006, upon which the 2005 levies were based, were as follows:

	Assessed Values for Collection in:	
	2005 Second Half	2006 First Half
Agricultural/Residential and Other Real Estate	\$546,360,920	\$573,591,130
Public Utility Personal	34,990,230	35,907,950
Tangible Personal Property	206,874,660	156,162,150
Total Assessed Value	\$788,225,810	\$765,661,230
Tax rate per \$1,000 of assessed valuation	\$52.56	\$54.06

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006**

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts, intergovernmental, and interest receivables.

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Following is a summary of interfund receivables and payables for all funds at June 30, 2006:

	<u>Interfund Loans Receivables</u>	<u>Interfund Loans Payables</u>
General Fund	\$31,678	\$0
Nonmajor Governmental Funds	0	6,678
Nonmajor Enterprise Fund	0	25,000
Totals	<u>\$31,678</u>	<u>\$31,678</u>

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

**NOTE 9 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for fiscal year 2006:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$93,843
Building Acquisition and Construction Fund	92,398	0
Nonmajor Governmental Funds	1,445	0
Total All Funds	<u>\$93,843</u>	<u>\$93,843</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006**

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2006:

*Historical Cost:*

Class	June 30, 2005	Additions	Deletions	June 30, 2006
<i>Capital Assets not being depreciated:</i>				
Land	\$1,650,479	\$4,678,517	\$0	\$6,328,996
Construction in Progress	181,164	1,846,678	(181,164)	1,846,678
Subtotal	<u>1,831,643</u>	<u>6,525,195</u>	<u>(181,164)</u>	<u>8,175,674</u>
<i>Capital Assets being depreciated:</i>				
Land Improvements	3,509,435	4,190	0	3,513,625
Buildings and Improvements	56,604,275	1,592,188	0	58,196,463
Furniture, Fixtures and Equipment	13,277,709	940,742	(941,159)	13,277,292
Vehicles	2,461,334	695,216	(568,757)	2,587,793
Subtotal	<u>75,852,753</u>	<u>3,232,336</u>	<u>(1,509,916)</u>	<u>77,575,173</u>
Total Cost	<u>\$77,684,396</u>	<u>\$9,757,531</u>	<u>(\$1,691,080)</u>	<u>\$85,750,847</u>

*Accumulated Depreciation:*

Class	Restated June 30, 2005	Additions	Deletions	June 30, 2006
Land Improvements	(\$1,833,657)	(\$152,506)	\$0	(\$1,986,163)
Buildings and Improvements	(11,535,189)	(1,139,122)	0	(12,674,311)
Furniture, Fixtures and Equipment	(9,206,735)	(1,110,409)	846,718	(9,470,426)
Vehicles	(1,160,164)	(233,879)	458,967	(935,076)
Total Depreciation	<u>(\$23,735,745)</u>	<u>(\$2,635,916) *</u>	<u>\$1,305,685</u>	<u>(\$25,065,976)</u>
<i>Net Value:</i>	<u>\$53,948,651</u>			<u>\$60,684,871</u>

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$1,745,184
Support Services:	
Pupils	58,058
Instructional Staff	397,821
Board of Education	1,397
Administration	63,422
Fiscal Services	9,324
Business	10,477
Operations & Maintenance of Plant	50,579
Pupil Transportation	216,139
Operation of Non-Instructional Services	3,305
Extracurricular Activities	80,210
Total Depreciation Expense	<u>\$2,635,916</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

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**NOTE 10 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at June 30, 2006:

*Historical Cost:*

Class	June 30, 2005	Additions	Deletions	June 30, 2006
Furniture and Equipment	\$1,044,297	\$8,700	(\$14,647)	\$1,038,350
Total Cost	<u>\$1,044,297</u>	<u>\$8,700</u>	<u>(\$14,647)</u>	<u>\$1,038,350</u>

*Accumulated Depreciation:*

Class	June 30, 2004	Additions	Deletions	June 30, 2005
Furniture and Equipment	(\$604,022)	(\$58,861)	\$8,203	(\$654,680)
Total Depreciation	<u>(\$604,022)</u>	<u>(\$58,861)</u>	<u>\$8,203</u>	<u>(\$654,680)</u>

<i>Net Value:</i>	<u>\$440,275</u>	<u>(\$50,161)</u>	<u>(\$6,444)</u>	<u>\$383,670</u>
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**C. Component Unit**

Summary by category of changes in capital assets at June 30, 2006:

*Historical Cost:*

Class	June 30, 2005	Additions	Deletions	June 30, 2006
<i>Capital Assets being depreciated:</i>				
Furniture, Fixtures and Equipment	\$68,210	\$34,831	\$0	\$103,041
Total Cost	<u>\$68,210</u>	<u>\$34,831</u>	<u>\$0</u>	<u>\$103,041</u>

*Accumulated Depreciation:*

Class	June 30, 2005	Additions	Deletions	June 30, 2006
Furniture, Fixtures and Equipment	(\$19,841)	(\$15,123)	\$0	(\$34,964)
Total Depreciation	<u>(\$19,841)</u>	<u>(\$15,123)</u>	<u>\$0</u>	<u>(\$34,964)</u>

<i>Net Value:</i>	<u>\$48,369</u>			<u>\$68,077</u>
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## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006***

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#### **NOTE 11 - DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS**

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

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

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

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2006, 10.58% was allocated to fund the pension benefit and 3.42% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2006, 2005, and 2004 were \$971,580, \$884,220, and \$853,848, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. 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. The portion of the 2005 employer contribution rate (latest information available) that was used to fund health care for the year 2005 was 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2006, the minimum pay has been established as \$35,800. 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. The amount contributed to fund health care benefits, including the surcharge amounted to \$338,006.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006***

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#### **NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)**

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

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ended June 30, 2006 were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. 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 59,492.

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

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

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006**

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**NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2005, (latest information available) 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2006, 2005, and 2004 were \$2,989,704, \$2,807,784, and \$2,666,400, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, health care benefits are not guaranteed.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2005, (latest information available) the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Stabilization Fund, which amounted to \$213,550 for the District. The balance of the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, the net health care costs paid by STRS were \$254,780,000. There were 115,395 eligible benefit recipients.

**NOTE 12 - NOTES PAYABLE**

Notes Payable activity of the District for the year ended June 30, 2006, was as follows:

Note Payable		Balance			Balance
		June 30, 2005	Additions	Deletions	June 30, 2006
Bond Anticipation Note	3.75%	\$3,400,000	\$0	(\$3,400,000)	\$0
Bond Anticipation Note	4.00%	0	15,000,000	(15,000,000)	0
Bond Anticipation Note	4.00%	0	10,000,000	(10,000,000)	0
Energy Conservation Note	3.63%	895,000	0	(895,000)	0
Energy Conservation Note	4.31%	0	835,000	0	835,000
		<u>\$4,295,000</u>	<u>\$25,835,000</u>	<u>(\$29,295,000)</u>	<u>\$835,000</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

**NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the bonds, energy conservation project, compensated absences, and capital leases of the District for the year ended June 30, 2006 is as follows:

		Balance			Balance	Due Within
		June 30, 2005	Issued	(Retired)	June 30, 2006	One Year
<b>Governmental Activities</b>						
(General Obligation Bonds)						
New High School	7.13%	\$209,999	\$0	(\$87,545)	\$122,454	\$69,165
Refunding New Elementary	3.4-5.15%	7,452,973	0	(175,000)	7,277,973	225,000
Fifth/Sixth Elementary	5.79%	1,614,222	0	(25,000)	1,589,222	75,000
New Elementary and Middle School	4.35-5.375%	13,559,995	0	(12,420,000)	1,139,995	105,000
Refunding Fifth/Sixth Elementary	3.60%	12,659,974	0	(100,000)	12,559,974	200,000
Refunding New High School	1.2-14.16%	1,424,999	0	(45,000)	1,379,999	45,000
Refunding School Improvement	3.25-5%	0	40,284,966	0	40,284,966	0
School Improvement/Refunding	3.5-5%	0	40,749,984	0	40,749,984	415,000
		<u>36,922,162</u>	<u>81,034,950</u>	<u>(12,852,545)</u>	<u>105,104,567</u>	<u>1,134,165</u>
Premium on Bonds		0	3,775,324	(151,013)	3,624,311	0
Deferred Amount on Refunding		0	(2,696,874)	107,875	(2,588,999)	0
Interest Accretion		<u>3,603,285</u>	<u>877,763</u>	<u>(707,455)</u>	<u>3,773,593</u>	<u>680,835</u>
Total General Obligation Bonds		40,525,447	82,991,163	(13,603,138)	109,913,472	1,815,000
Energy Conservation Project	3.4-4.85%	785,000	0	(55,000)	730,000	55,000
Compensated Absences		2,475,142	773,881	(594,891)	2,654,132	101,562
Capital Leases Payable		<u>45,295,539</u>	<u>0</u>	<u>(43,469,539)</u>	<u>1,826,000</u>	<u>74,000</u>
Total Governmental Activities		<u>\$89,081,128</u>	<u>\$83,765,044</u>	<u>(\$57,722,568)</u>	<u>\$115,123,604</u>	<u>\$2,045,562</u>
<b>Business-Type Activities</b>						
Compensated Absences		<u>\$46,964</u>	<u>\$18,472</u>	<u>(\$12,805)</u>	<u>\$52,631</u>	<u>\$0</u>
Total Business-Type Activities		<u>\$46,964</u>	<u>\$18,472</u>	<u>(\$12,805)</u>	<u>\$52,631</u>	<u>\$0</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006**

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

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2006, follows:

Years	General Obligation Bonds		Energy Conservation Project		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$1,134,165	\$5,192,274	\$55,000	\$37,218	\$1,189,165	\$5,229,492
2008	2,948,289	5,078,002	60,000	34,272	3,008,289	5,112,274
2009	3,995,000	4,320,083	65,000	30,429	4,060,000	4,350,512
2010	4,230,000	4,171,710	65,000	26,431	4,295,000	4,198,141
2011	4,314,998	4,188,895	70,000	22,280	4,384,998	4,211,175
2012-2016	14,961,016	25,865,165	415,000	52,017	15,376,016	25,917,182
2017-2021	16,801,236	23,794,246	0	0	16,801,236	23,794,246
2022-2026	27,624,863	13,024,681	0	0	27,624,863	13,024,681
2027-2030	29,095,000	2,778,907	0	0	29,095,000	2,778,907
Totals	<u>\$105,104,567</u>	<u>\$88,413,963</u>	<u>\$730,000</u>	<u>\$202,647</u>	<u>\$105,834,567</u>	<u>\$88,616,610</u>

**B. Defeased Debt**

In December 1993, the District defeased \$6,165,000 of General Obligation Bonds for the High School Building, dated April 1, 1990, through the issuance of \$6,084,999 of General Obligation Bonds for the High School Building. The net proceeds of the 1993 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$3,090,000 at June 30, 2006, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2001, the District defeased \$7,669,538 of General Obligation Bonds for the New Elementary Additions, dated October 1, 1995, through the issuance of \$7,667,973 of General Obligation Bonds for the New Elementary Additions. The net proceeds of the 2001 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$7,184,538 at June 30, 2006, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006***

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

##### **B. Defeased Debt (Continued)**

In March 2002, the District defeased \$13,335,000 of General Obligation Bonds for the Fifth/Sixth Elementary Building, dated March 1, 2000, through the issuance of \$13,334,974 of General Obligation Bonds for the Fifth/Sixth Elementary Building. The net proceeds of the 2002 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,335,000 at June 30, 2006, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In September 2005, the District defeased \$41,425,000 of Certificates of Participation for School Improvements, dated March 2, 2005, through the issuance of \$40,284,966 of General Obligation Bonds for School Improvements. The net proceeds of the 2005 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded certificates. The refunded certificates, which have an outstanding balance of \$41,425,000 at June 30, 2006, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. The District reduced its aggregate debt service payments over the life of the refunded certificates by \$81,399 and obtained an economic loss (difference between the present values of the old and new debt service payments) of \$705,566.

In February 2006, the District defeased \$12,350,000 of General Obligation Bonds for New Elementary and Raymond Middle School Improvements, dated December 1, 2000, through the issuance of \$12,349,984 of General Obligation Bonds for School Improvements. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$12,350,000 at June 30, 2006, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. The District reduced its aggregate debt service payments over the life of the refunded bonds by \$872,390 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$550,714.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

### NOTE 14 - CAPITALIZED LEASES

The District leases building and land improvements under capital leases. The cost of the capital assets obtained under capital leases is \$2,016,000 which is included in the Governmental Activities Capital Assets and the related liability is included in the Governmental Activities Long-Term Liabilities.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2006:

Year Ending June 30,	Capital Leases
2007	\$155,235
2008	155,191
2009	154,918
2010	155,413
2011	154,692
2012-2016	774,324
2017-2021	774,398
2022-2023	309,075
Minimum Lease Payments	2,633,246
Less: Amount representing interest at the District's incremental borrowing rate of interest	(807,246)
Present Value of minimum lease payments	<u>\$1,826,000</u>

### NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The District participates in the Metropolitan Educational Council Group Program (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a seven member board consisting of superintendents, treasurers and business managers.

Specialty Claims Services, Inc. is responsible for processing claims. Marsh, Inc. serves as the Plan's administrator, sales representative, and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from the Metropolitan Educational Council Group Program, 2100 Citygate Drive, Columbus, OH 43219-3566.

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006**

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**NOTE 15 - RISK MANAGEMENT (Continued)**

The District provided dental and vision benefits to employees and their eligible dependents through a self-insured program through June 30, 2005. Premiums were paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) were available to pay claims and administrative costs. The plan was administered by a third party administrator, Guardian Life Insurance Company which monitored all claim payments. Excess loss coverage, became effective after \$90,000 per year per specific claim. There was a lifetime maximum coverage per person of \$2,000,000. As of July 1, 2004, the District was no longer self-insured for group health benefits and provides benefits through commercial insurance. As of July 1, 2005, the District was no longer self-insured for dental and vision benefits and provides benefits through commercial coverage.

Requirements of GASB Statement No. 10, require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. No such liability existed at June 30, 2006. Changes in the fund's claims liability amount in 2006 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2005	\$863,691	622,047	(1,437,361)	\$48,377
2006	48,377	155,043	(203,420)	0

**NOTE 16 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2006, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2005	\$0	\$0	\$0
Current Year Set-Aside Requirement	725,483	725,483	1,450,966
Qualifying Disbursements	<u>(799,211)</u>	<u>(2,238,844)</u>	<u>(3,038,055)</u>
Total	<u>(\$73,728)</u>	<u>(\$1,513,361)</u>	<u>(\$1,587,089)</u>
Cash Balance Carried Forward to FY 2007	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

### NOTE 17 – CONSTRUCTION COMMITMENTS

As of June 30, 2006, the District had the following commitment with respect to capital projects:

<u>Capital Projects</u>	<u>Amount Remaining</u>	<u>Estimated Date of Completion</u>
Creekview Elementary Addition	\$25,296	August 2006
Northwood Elementary Architect Fees	183,875	August 2007
Northwood Elementary and High School Construction Manage Fees	1,206,184	August 2007/2008
New Intermediate/Middle School Architect Fees	1,201,068	August 2008
High School Addition Architect Fees	905,424	August 2008
New Intermediate/Middle School Construction Manage Fees	1,557,337	August 2008
Northwood Elementary Site Work	1,250,000	August 2007

### NOTE 18 - CONTINGENCIES

#### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

#### **B. Public Utility Tax**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of try value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$4,062 per year. A portion of the refund may be recovered from additional State entitlement payments.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006***

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#### **NOTE 19 – SUBSEQUENT EVENTS**

Marysville Exempted Village School District, sponsor for the Marysville Academy, a discretely presented component unit of the District, approved the closure and merger of the Academy with the District on September 25, 2006. The financial records for the Marysville Academy were closed on November 30, 2006. The District assumed all assets and liabilities of the Academy.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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

<u>Federal Grantor/</u> Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$ -	\$ 70,910	\$ -	\$ 70,910
Nutrition Cluster:						
School Breakfast	045476-05PU-2005/2006	10.553	30,333	-	30,333	-
National School Lunch Program	045476-LLP4-2005/2006 045476-VGS1-2003	10.555	323,912	-	320,565	-
Total Nutrition Cluster			<u>354,245</u>		<u>350,898</u>	
Team Nutrition Grants	045476-TWNT-2004	10.574	490	-	490	-
Total U.S. Department of Agriculture			<u>354,735</u>	<u>70,910</u>	<u>351,388</u>	<u>70,910</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
Fund for the Improvement of Education_Carol M. White Physical Fitness	N/A	84.215F	121,186	-	120,901	-
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045476-C1S1/SD-2005/2006	84.010	224,052	-	222,798	-
Special Education Cluster:						
Special Education_Grants to States	045476-6BSA/SF-2005/2006	84.027	923,419	-	928,415	-
Special Education_Preschool Grant	045476-PGS1-2006	84.173	11,139	-	11,139	-
Total Special Education Cluster			<u>934,558</u>	<u>-</u>	<u>939,554</u>	<u>-</u>
Safe and Drug-Free Schools and Communities_State Grants	045476-DRS1-2006	84.186	14,953	-	14,852	-
Innovative Educational Program Strategies	045476-C2S1-2005/2006	84.298	14,786	-	13,245	-
Education Technology State Grants	045476-TJS1-2006	84.318	3,516	-	3,516	-
Advanced Placement Program	AVTF-2004	84.330	260	-	156	-
Comprehensive School Reform Demonstration	045476-RFCC-2006	84.332	38,780	-	41,655	-
Improving Teacher Quality State Grants	045476-TRS1-2005/2006	84.367	130,233	-	138,048	-
Total U.S. Department of Education			<u>1,482,324</u>	<u>-</u>	<u>1,494,725</u>	<u>-</u>
<b><u>United States Department of Health and Human Services</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	19,652	-	-	-
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u>\$ 1,856,711</u>	<u>\$ 70,910</u>	<u>\$ 1,846,113</u>	<u>\$ 70,910</u>

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marysville Exempted Village School District, Union County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the District's management dated February 12, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated February 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Mary Taylor, CPA**  
Auditor of State

February 12, 2007



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Marysville Exempted Village School District, Union County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Marysville Exempted Village School District, Union County, Ohio complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. In a separate letter to the District's management dated February 12, 2007, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

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### **Internal Control Over Compliance**

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

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

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



**Mary Taylor, CPA**  
Auditor of State

February 12, 2007

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Fund for the Improvement of Education_ Carol M. White Physical Fitness, CFDA # 84.215F Special Education Cluster, CFDA # 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)

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

FINDING NUMBER 2006-001

MATERIAL CITATION/REPORTABLE CONDITION

Annual Appropriations Measure and Budgetary Posting

Ohio Rev. Code § 5705.38(B) states in part, that a board of education shall pass its annual appropriation measure by the first day of October. If, by the first day of October, a board has not received either the amended certificates of estimated resources required by division (B) of section 5705.36 of the Revised Code or certifications that no amended certificates need be issued, the adoption of the annual appropriation measure shall be delayed until the amended certificates or certifications are received. Prior to the passage of the annual appropriation measure, the board may pass a temporary appropriation measure for meeting the ordinary expenses of the district until it passes an annual appropriation measure.

In addition, Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

The District passed a temporary appropriation measure on June 23, 2005 but did not pass their annual appropriation measure until January 25, 2006, almost four months after the required date. The official certificate of estimated resources and amendments were sent to the District by the County before October 1, 2005.

Expenditures exceeded the temporary appropriation measure and permanent appropriation measure during the year. At year-end expenditures were within appropriations. The following tables illustrate total expenditures from each fund that were in excess of appropriations:

Temporary Appropriations as of October 31, 2005:

Fund	Appropriated	Expended	Variance
Bond Retirement	\$7,618,831	\$13,897,131	(\$6,278,300)
Building Acquisition and Construction	1,596,385	38,912,032	(37,315,347)

Permanent Appropriations as of May 30, 2006:

Fund	Appropriated	Expended	Variance
Bond Retirement	\$39,444,792	\$39,549,232	(\$104,440)

We also noted that estimated receipts and appropriations posted to the accounting system did not agree with the Certificate of Estimated Resources received and certified by the Budget Commission or Board approved Appropriation Measures during the fiscal year. At year-end the amount reported within the accounting system was accurate.

If inaccurate budgetary information is reported on the District's accounting system, the Board of Education and Treasurer can not effectively monitor budget versus actual activity during the year.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
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**FINDING NUMBER 2006-001 (continued)**

**MATERIAL CITATION/REPORTABLE CONDITION**

**Annual Appropriations Measure and Budgetary Posting (continued)**

The District should (1) pass the annual appropriation measure within the dates defined in the Ohio Revised Code; (2) monitor budgetary amounts posted to the accounting system to ensure they agree with the Certificate of Estimated Resources and Board of Education approved Appropriation Resolutions; and (3) deny payment requests for expenditures where appropriations are not available pursuant to Ohio Rev. Code § 5705.41(D).

**Officials' Response:**

The October variances were due to refinancing of our Certificates of Participation. Figures were received after the October Board meeting and the issue was resolved by appropriation amendments approved within the November Board meeting. The May variance was also corrected by appropriation amendment within the next months Board meeting.

**FINDING NUMBER 2006-002**

**REPORTABLE CONDITION**

**Arbitrage Earnings Rebate**

Section 148 of the Internal Revenue Code requires that entities earning interest on the invested gross proceeds of tax exempt debt that is materially higher than the yield on the bond issue (i.e. arbitrage) must pay (i.e., rebate) the earnings to the Federal government. Two general sets of requirements under the Code must be applied in order to determine whether governmental bonds are arbitrage bonds: yield restriction requirements of section 148(a); and rebate requirements of section 148(f). Each set of rules has their distinct requirements and may result in a required rebate.

Governmental Accounting Standards Board Interpretation (GASBI) No. 6 generally requires that all liabilities that are both available and measurable are fund liabilities unless expressly excluded by GASB. GASBI No. 6 expressly excludes unmatured long term indebtedness which is defined as the "unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness that is not a specific liability of any proprietary fund..." under ¶ 43 of National Council on Governmental Accounting Statement (NCGAS) No. 1. Arbitrage liabilities are not expressly exempt under these statements; therefore, they must be recognized currently in the fund receiving the bond proceeds because current resources are available (i.e., the excess earnings). *AICPA AAG State and Local Governments Guide* ¶ 5.06 states that governments generally should calculate the liability annually to determine if the amount is material (and therefore reportable). When measuring the rebate liability, the District should consider the *cumulative* effect of the rebate requirement. For example, the District could calculate the specific rebate requirement for the first year. However, in the next year, a reduced arbitrage rebate requirement could replace the larger requirement calculated in the first year.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)

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

**FINDING NUMBER 2006-002 (continued)**

**REPORTABLE CONDITION**

**Arbitrage Earnings Rebate (continued)**

The District has several debt issuances that are subject to the arbitrage rules. For each debt issuance outstanding that is subject to arbitrage rules, the District completes the required IRS forms and submits the forms and an arbitrage rebate, if applicable, every five years from the date of issuance as permitted under the IRS rules. However, there is no evidence that the District is monitoring arbitrage on an annual basis to provide assurance that compliance requirements are being met and potentially material rebate liabilities are recognized and reported on the financial statements at year end.

A lack of monitoring of this activity may lead to noncompliance with the IRS Arbitrage Rules or material misstatement on the District's basic financial statements.

We recommend that the District perform an annual calculation of potential arbitrage rebates for all applicable outstanding debt issuances and report material estimated arbitrage liabilities on the District's financial statements. Performing a calculation annually will also aide in monitoring compliance with arbitrage regulations. In addition, the District should continue to file arbitrage information with the federal government for each outstanding bond debt issuance as required by IRS regulations.

**Officials' Response:**

The District will work with Audit and Legal to comply with this requirement. This has never been noted as a recommendation in the past and the required five year submission has been completed by the District for all bonded debt outstanding.

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

**None**

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Third party administrator for self-insurance claims did not have a Type Two SAS 70 Report.	N/A	Finding no longer valid as District is no longer self-insured.
2005-002	Capital asset disposals were not adequately supported.	Yes	N/A
2005-003	Day-care tuition collection process did not include reconciliations or other procedures to provide assurance that all daily collections were properly posted and deposited.	Yes	N/A





**Mary Taylor, CPA**  
Auditor of State

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2007**