



**Auditor of State
Betty Montgomery**

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 14, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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BETTY MONTGOMERY
Auditor of State

February 14, 2003

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$730,350	\$532,191	\$90,558	\$188,460
Investments	4,572,787	0	562,189	2,854,013
Receivables (net of allowance for doubtful accounts):				
Taxes	18,054,822	0	2,069,338	2,575,494
Accounts	80,952	10,100	0	145
Intergovernmental	0	111,573	0	0
Interest	21,075	0	0	9,877
Interfund Loans Receivable	221,252	0	0	0
Due from Other Funds	0	0	0	0
Inventory of Supplies at Cos	0	0	0	0
Prepaid Items	39,867	0	0	0
Advance to Other Fund	347,232	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for:				
General Long-Term Obligation	0	0	0	0
Total Assets and Other Debits	<u>\$24,068,337</u>	<u>\$653,864</u>	<u>\$2,722,085</u>	<u>\$5,627,989</u>
<u>Liabilities, Equity and Other Credits</u>				
Liabilities:				
Accounts Payable	\$87,669	\$64,428	\$0	\$843,060
Accrued Wages and Benefit:	2,584,876	111,149	0	0
Interfund Loans Payable	0	21,022	0	0
Due to Other Funds	523,528	11,560	0	0
Intergovernmental Payable:	602,033	27,200	0	0
Due to Students	0	0	0	0
Due to Others	0	0	0	0
Accrued Interest Payable	0	0	0	6,526
Deferred Revenue - Taxes:	17,209,044	0	1,728,351	2,188,371
Deferred Revenue	4,968	55,059	0	4,024
Advance from Other Fund	0	0	0	0
Claims Payable	0	0	0	0
Early Retirement Incentive Payable	0	0	0	0
General Obligation Note Payable	0	0	0	3,400,000
General Obligation Bonds Payable	0	0	0	0
Compensated Absences Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Installment Loans Payable	0	0	0	0
Total Liabilities	<u>21,012,118</u>	<u>290,418</u>	<u>1,728,351</u>	<u>6,441,981</u>
Equity and Other Credits:				
Investment in General Fixed Asset	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings - Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrance:	263,487	126,727	0	1,813,067
Reserved for Property Tax	845,778	0	340,987	387,123
Reserved for Prepaid Item:	39,867	0	0	0
Reserved for Debt Service	0	0	652,747	0
Unreserved:				
Undesignated	1,907,087	236,719	0	(3,014,182)
Total Equity and Other Credits	<u>3,056,219</u>	<u>363,446</u>	<u>993,734</u>	<u>(813,992)</u>
Total Liabilities, Equity and Other Credits	<u>\$24,068,337</u>	<u>\$653,864</u>	<u>\$2,722,085</u>	<u>\$5,627,989</u>

The notes to the general purpose financial statements are an integral part of this statement.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$256,747	\$69,582	\$48,521	\$0	\$0	\$1,916,409
0	0	12,698	0	0	8,001,687
0	0	0	0	0	22,699,654
579	0	1,542	0	0	93,318
0	0	0	0	0	111,573
0	0	52	0	0	31,004
0	0	0	0	0	221,252
0	567,158	0	0	0	567,158
14,405	0	0	0	0	14,405
0	0	0	0	0	39,867
0	0	0	0	0	347,232
362,896	0	0	68,658,196	0	69,021,092
0	0	0	0	652,747	652,747
0	0	0	0	45,235,691	45,235,691
<u>\$634,627</u>	<u>\$636,740</u>	<u>\$62,813</u>	<u>\$68,658,196</u>	<u>\$45,888,438</u>	<u>\$148,953,089</u>
\$7,394	\$0	\$0	\$0	\$0	\$1,002,551
91,385	0	0	0	0	2,787,410
0	200,230	0	0	0	221,252
32,070	0	0	0	0	567,158
91,582	0	0	0	201,230	922,045
0	0	45,670	0	0	45,670
0	0	3,227	0	0	3,227
0	0	0	0	0	6,526
0	0	0	0	0	21,125,766
7,145	0	52	0	0	71,248
347,232	0	0	0	0	347,232
0	508,640	0	0	0	508,640
0	0	0	0	15,000	15,000
0	0	0	0	0	3,400,000
0	0	0	0	41,817,593	41,817,593
32,818	0	0	0	2,256,784	2,289,602
0	0	0	0	237,831	237,831
0	0	0	0	1,360,000	1,360,000
<u>609,626</u>	<u>708,870</u>	<u>48,949</u>	<u>0</u>	<u>45,888,438</u>	<u>76,728,751</u>
0	0	0	68,658,196	0	68,658,196
113,359	0	0	0	0	113,359
(88,358)	(72,130)	0	0	0	(160,488)
0	0	0	0	0	2,203,281
0	0	0	0	0	1,573,888
0	0	0	0	0	39,867
0	0	0	0	0	652,747
0	0	13,864	0	0	(856,512)
<u>25,001</u>	<u>(72,130)</u>	<u>13,864</u>	<u>68,658,196</u>	<u>0</u>	<u>72,224,338</u>
<u>\$634,627</u>	<u>\$636,740</u>	<u>\$62,813</u>	<u>\$68,658,196</u>	<u>\$45,888,438</u>	<u>\$148,953,089</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Governmental</i>			<i>Capital</i>	<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>				<i>Fund Type</i>	
	General Fund	Special Revenue Funds	Debt Service Fund	Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$16,988,725	\$0	\$2,236,405	\$2,686,350	\$0	\$21,911,480
Tuition	129,091	0	0	0	0	129,091
Transportation Fees	14,918	0	0	0	0	14,918
Investment Earnings	364,351	0	18,810	253,711	312	637,184
Extracurricular Activities	0	274,429	0	0	0	274,429
Class Material and Fees	100,895	0	0	0	0	100,895
Intergovernmental - State	11,833,832	328,368	193,382	209,158	0	12,564,740
Intergovernmental - Federal	4,638	1,104,174	0	0	0	1,108,812
All Other Revenues	151,734	119,402	24,444	0	2,827	298,407
Total Revenues	29,588,184	1,826,373	2,473,041	3,149,219	3,139	37,039,956
Expenditures:						
Current:						
Instruction	18,247,805	746,855	0	1,281,323	0	20,275,983
Supporting Services:						
Pupils	1,890,082	137,805	0	76,883	0	2,104,770
Instructional Staff	2,407,215	322,120	0	238,149	0	2,967,484
Board of Education	153,616	0	0	0	0	153,616
Administration	2,383,812	103,680	0	35,480	0	2,522,972
Fiscal Services	682,361	16,259	261,610	60,150	0	1,020,380
Business	210,027	496	0	0	0	210,523
Operation and Maintenance of Plant	2,932,506	3,140	0	939,163	0	3,874,809
Pupil Transportation	1,597,638	4,277	0	216,333	0	1,818,248
Central	4,959	52,163	0	0	2,241	59,363
Community Services	1,650	110,890	0	0	1,375	113,915
Extracurricular Activities	583,687	325,772	0	0	0	909,459
Capital Outlay	0	0	0	13,154,968	0	13,154,968
Debt Service:						
Principal Retirement	0	0	1,240,000	0	0	1,240,000
Interest and Fiscal Charges	0	0	1,966,531	104,214	0	2,070,745
Total Expenditures	31,095,358	1,823,457	3,468,141	16,106,663	3,616	52,497,235
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,507,174)	2,916	(995,100)	(12,957,444)	(477)	(15,457,279)

(Continued)

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Governmental</i>			<i>Capital</i>	<i>Fiduciary</i>	Totals
	<i>Fund Types</i>					
General	Special	Debt	Capital	Trust	Only)	
Fund	Revenue	Service	Projects	Fund	(Memorandum	
Fund	Funds	Fund	Funds	Fund	Only)	
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	3,147	0	0	199,060	0	202,207
Refunds of Prior Years' Expenditures	83,584	12,475	0	234,443	80	330,582
Refunds of Prior Years' Receipts	0	(745)	0	0	(1,270)	(2,015)
Proceeds from Refunding of Bonds	0	0	14,852,001	0	0	14,852,001
Payment to Refunded Bond Escrow	0	0	(14,630,426)	0	0	(14,630,426)
Operating Transfers In	0	9	350,526	106,463	0	456,998
Operating Transfers Out	(350,526)	(9)	(106,463)	0	0	(456,998)
Total Other Financing Sources (Uses)	(263,795)	11,730	465,638	539,966	(1,190)	752,349
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,770,969)	14,646	(529,462)	(12,417,478)	(1,667)	(14,704,930)
Fund Balance Beginning of Year	4,827,188	348,800	1,523,196	11,603,486	15,531	18,318,201
Fund Balance End of Year	<u>\$3,056,219</u>	<u>\$363,446</u>	<u>\$993,734</u>	<u>(\$813,992)</u>	<u>\$13,864</u>	<u>\$3,613,271</u>

The notes to the general purpose financial statements are an integral part of this statement.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2002

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$17,315,526	\$17,666,422	\$350,896	\$0	\$0	\$0
Tuition	45,000	127,296	82,296	0	0	0
Transportation Fees	20,000	14,918	(5,082)	0	0	0
Investment Earnings	740,000	311,079	(428,921)	0	0	0
Extracurricular Activities	0	0	0	375,027	274,429	(100,598)
Class Material and Fees	68,000	100,251	32,251	0	0	0
Intergovernmental - State	10,287,224	11,833,832	1,546,608	328,368	328,368	0
Intergovernmental - Federal	14,000	4,638	(9,362)	1,318,135	1,190,081	(128,054)
All Other Revenues	305,000	152,020	(152,980)	154,774	119,402	(35,372)
Total Revenues	28,794,750	30,210,456	1,415,706	2,176,304	1,912,280	(264,024)
Expenditures:						
Current:						
Instruction	17,595,911	17,293,676	302,235	862,547	688,351	174,196
Supporting Services						
Pupils	1,784,029	1,747,564	36,465	163,664	142,607	21,057
Instructional Staff	2,462,460	2,328,658	133,802	442,360	403,355	39,005
Board of Education	229,587	208,631	20,956	0	0	0
Administration	2,388,630	2,304,149	84,481	107,313	98,747	8,566
Fiscal Services	694,241	673,655	20,586	16,078	16,078	0
Business	225,810	215,392	10,418	4,309	4,309	0
Operation and Maintenance of Plant	3,122,587	3,038,788	83,799	3,140	3,140	0
Pupil Transportation	1,590,264	1,522,932	67,332	7,228	5,236	1,992
Central	11,065	4,916	6,149	81,312	65,224	16,088
Community Services	5,000	1,974	3,026	124,273	111,654	12,619
Extracurricular Activities	542,607	557,636	(15,029)	464,398	339,795	124,603
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charge	0	0	0	0	0	0
Total Expenditures	30,652,191	29,897,971	754,220	2,276,622	1,878,496	398,126
Excess (Deficiency) of Revenues Over (Under) Expenditure	(1,857,441)	312,485	2,169,926	(100,318)	33,784	134,102
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Asset	25,000	3,147	(21,853)	0	0	0
Refunds of Prior Years' Expenditure	1,000	12,354	11,354	2,292	2,375	83
Refunds of Prior Years' Receipt	(5,500)	0	5,500	(803)	(910)	(107)
Proceeds from Sale of Note	0	0	0	0	0	0
Pass Through Payments	173,512	0	(173,512)	0	0	0
Operating Transfers In	0	0	0	13,217	13,227	10
Operating Transfers Out	(350,526)	(350,526)	0	(13,227)	(13,227)	0
Advances In	324,926	151,042	(173,884)	0	21,022	21,022
Advances Out	(316,252)	(316,252)	0	(132,158)	(132,158)	0
Total Other Financing Sources (Uses)	(147,840)	(500,235)	(352,395)	(130,679)	(109,671)	21,008
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Use	(2,005,281)	(187,750)	1,817,531	(230,997)	(75,887)	155,110
Fund Balance at Beginning of Year	4,450,295	4,450,295	0	365,300	365,300	0
Prior Year Encumbrances	649,784	649,784	0	53,451	53,451	0
Fund Balance at End of Year	\$3,094,798	\$4,912,329	\$1,817,531	\$187,754	\$342,864	\$155,110

The notes to the general purpose financial statements are an integral part of this statement

(Continued)

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2002

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$2,076,994	\$2,084,959	\$7,965	\$2,435,472	\$2,530,009	\$94,537
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Investment Earnings	25,000	18,810	(6,190)	210,316	241,487	31,171
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intergovernmental - State	170,800	193,382	22,582	209,158	209,158	0
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	5,772	24,444	18,672	0	0	0
Total Revenues	2,278,566	2,321,595	43,029	2,854,946	2,980,654	125,708
Expenditures:						
Current:						
Instruction	0	0	0	1,529,619	1,529,607	12
Supporting Services						
Pupils	0	0	0	661,469	487,487	173,982
Instructional Staff	0	0	0	255,134	255,134	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	38,966	38,966	0
Fiscal Services	40,035	40,035	0	60,328	60,328	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	939,684	939,684	0
Pupil Transportation	0	0	0	382,341	382,341	0
Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	16,208,743	16,192,937	15,806
Debt Service:						
Principal Retirement	4,640,000	4,640,000	0	0	0	0
Interest and Fiscal Charges	2,393,058	2,072,994	320,064	0	0	0
Total Expenditures	7,073,093	6,753,029	320,064	20,076,284	19,886,484	189,800
Excess (Deficiency) of Revenues Over (Under) Expenditure	(4,794,527)	(4,431,434)	363,093	(17,221,338)	(16,905,830)	315,508
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Asset	0	0	0	199,060	199,060	0
Refunds of Prior Years' Expenditure	0	0	0	234,298	234,298	0
Refunds of Prior Years' Receipt	0	0	0	0	0	0
Proceeds from Sale of Note	3,400,000	3,400,000	0	0	0	0
Pass Through Payments	0	0	0	0	0	0
Operating Transfers In	432,667	435,036	2,369	0	0	0
Operating Transfers Out	(84,510)	(84,510)	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	(16,075)	(16,075)	0
Total Other Financing Sources (Uses)	3,748,157	3,750,526	2,369	417,283	417,283	0
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Use	(1,046,370)	(680,908)	365,462	(16,804,055)	(16,488,547)	315,508
Fund Balance at Beginning of Year	1,333,655	1,333,655	0	8,010,073	8,010,073	0
Prior Year Encumbrances	0	0	0	8,862,126	8,862,126	0
Fund Balance at End of Year	\$287,285	\$652,747	\$365,462	\$68,144	\$383,652	\$315,508

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2002

<i>Totals (Memorandum Only)</i>			
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local Sources:			
Taxes	\$21,827,992	\$22,281,390	\$453,398
Tuition	45,000	127,296	82,296
Transportation Fees	20,000	14,918	(5,082)
Investment Earnings	975,316	571,376	(403,940)
Extracurricular Activities	375,027	274,429	(100,598)
Class Material and Fees	68,000	100,251	32,251
Intergovernmental - State	10,995,550	12,564,740	1,569,190
Intergovernmental - Federal	1,332,135	1,194,719	(137,416)
All Other Revenues	465,546	295,866	(169,680)
Total Revenues	<u>36,104,566</u>	<u>37,424,985</u>	<u>1,320,419</u>
Expenditures:			
Current:			
Instruction	19,988,077	19,511,634	476,443
Supporting Services			
Pupils	2,609,162	2,377,658	231,504
Instructional Staff	3,159,954	2,987,147	172,807
Board of Education	229,587	208,631	20,956
Administration	2,534,909	2,441,862	93,047
Fiscal Services	810,682	790,096	20,586
Business	230,119	219,701	10,418
Operation and Maintenance of Plant	4,065,411	3,981,612	83,799
Pupil Transportation	1,979,833	1,910,509	69,324
Central	92,377	70,140	22,237
Community Services	129,273	113,628	15,645
Extracurricular Activities	1,007,005	897,431	109,574
Capital Outlay	16,208,743	16,192,937	15,806
Debt Service:			
Principal Retirement	4,640,000	4,640,000	0
Interest and Fiscal Charge:	2,393,058	2,072,994	320,064
Total Expenditures	<u>60,078,190</u>	<u>58,415,980</u>	<u>1,662,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditure	(23,973,624)	(20,990,995)	2,982,629
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Asset	224,060	202,207	(21,853)
Refunds of Prior Years' Expenditure	237,590	249,027	11,437
Refunds of Prior Years' Receipt	(6,303)	(910)	5,393
Proceeds from Sale of Note	3,400,000	3,400,000	0
Pass Through Payments	173,512	0	(173,512)
Operating Transfers In	445,884	448,263	2,379
Operating Transfers Out	(448,263)	(448,263)	0
Advances In	324,926	172,064	(152,862)
Advances Out	(464,485)	(464,485)	0
Total Other Financing Sources (Uses)	<u>3,886,921</u>	<u>3,557,903</u>	<u>(329,018)</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Use	(20,086,703)	(17,433,092)	2,653,611
Fund Balance at Beginning of Year	14,159,323	14,159,323	0
Prior Year Encumbrances	9,565,361	9,565,361	0
Fund Balance at End of Year	<u>\$3,637,981</u>	<u>\$6,291,592</u>	<u>\$2,653,611</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Enterprise Funds</i>	<i>Internal Service Funds</i>	<i>Totals (Memorandum Only)</i>
<u>Operating Revenues:</u>			
Tuition and Fees	\$391,912	\$0	\$391,912
Sales	917,342	0	917,342
Charges for Service	14,026	0	14,026
Self Insurance Revenues	0	3,715,327	3,715,327
Total Operating Revenues	<u>1,323,280</u>	<u>3,715,327</u>	<u>5,038,607</u>
<u>Operating Expenses:</u>			
Salaries and Wages	696,521	0	696,521
Fringe Benefits	329,764	0	329,764
Contractual Services	45,223	609,633	654,856
Materials and Supplies	689,216	0	689,216
Claims	0	3,244,405	3,244,405
Depreciation	31,788	0	31,788
Other Operating Expenses	22,367	0	22,367
Total Operating Expenses	<u>1,814,879</u>	<u>3,854,038</u>	<u>5,668,917</u>
Operating Loss	(491,599)	(138,711)	(630,310)
<u>Nonoperating Revenues:</u>			
Operating Grants	199,481	0	199,481
Federally Donated Commodities	86,013	0	86,013
Other Nonoperating Revenues	4,943	0	4,943
Capital Contributions	162,846	0	162,846
Total Nonoperating Revenues	<u>453,283</u>	<u>0</u>	<u>453,283</u>
Net Loss	(38,316)	(138,711)	(177,027)
Retained Earnings (Deficit) at Beginning of Year	(50,042)	66,581	16,539
Retained Earnings (Deficit) at End of Year	<u>(\$88,358)</u>	<u>(\$72,130)</u>	<u>(\$160,488)</u>

The notes to the general purpose financial statements are an integral part of this statement.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Totals (Memorandum Only)</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$936,311	\$0	\$936,311
Cash Received from Tuition and Fee Payments	391,466	0	391,466
Cash Received from Interfund Charges	0	3,148,169	3,148,169
Cash Payments for Goods and Services	(666,513)	(640,883)	(1,307,396)
Cash Payments to Employees for Services and Benefits	(926,042)	(3,060,765)	(3,986,807)
Net Cash Used for Operating Activities	<u>(264,778)</u>	<u>(553,479)</u>	<u>(818,257)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Receipt of Interfund Loan Proceeds	0	200,230	200,230
Receipt of Advance	95,000	0	95,000
Repayment of Interfund Loan	0	(2,809)	(2,809)
Operating Grants Received	220,991	0	220,991
Net Cash Provided by Noncapital Financing Activities	<u>315,991</u>	<u>197,421</u>	<u>513,412</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(25,258)	0	(25,258)
Net Cash Used by Capital and Related Financing Activities	<u>(25,258)</u>	<u>0</u>	<u>(25,258)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	25,955	(356,058)	(330,103)
Cash and Cash Equivalents at Beginning of Year	230,792	425,640	656,432
Cash and Cash Equivalents at End of Year	<u>\$256,747</u>	<u>\$69,582</u>	<u>\$326,329</u>
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Used for Operating Activities:</u>			
Operating Loss	(\$491,599)	(\$138,711)	(\$630,310)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Miscellaneous Non-Operating Revenue	4,943	0	4,943
Depreciation Expense	31,788	0	31,788
Donated Commodities Used During the Year	86,013	0	86,013
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(446)	0	(446)
Increase in Due from Other Funds	0	(567,158)	(567,158)
Increase in Inventory	(2,445)	0	(2,445)
Increase (Decrease) in Accounts Payable	6,252	(31,250)	(24,998)
Increase in Accrued Wages and Benefits	44,988	0	44,988
Increase is Due to Other Funds	32,070	0	32,070
Increase in Intergovernmental Payables	23,320	0	23,320
Increase in Deferred Revenue	473	0	473
Increase in Claims Payable	0	183,640	183,640
Decrease in Compensated Absences	(135)	0	(135)
Total Adjustments	<u>226,821</u>	<u>(414,768)</u>	<u>(187,947)</u>
Net Cash Used for Operating Activities	<u>(\$264,778)</u>	<u>(\$553,479)</u>	<u>(\$818,257)</u>

The notes to the general purpose financial statements are an integral part of this statement.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

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 184 noncertified and approximately 322 certified teaching personnel and administrative employees providing education to 4,494 students.

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

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

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, 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 general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups 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 governmental fund types:

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.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and agency funds. The expendable trust fund is accounted for and reported similarly to a governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and that of general government and between long-term liabilities related to specific funds and that of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except those accounted for in the proprietary fund.

C. 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 and expendable trust and agency 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 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, 2002, and which are not intended to finance fiscal 2002 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, 2002 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary 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 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.

D. 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 governmental funds are required to be reported. The primary level of budgetary control is at the fund. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

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

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. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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, department and object 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. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. 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.

6. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$1,770,969)	\$14,646	(\$529,462)	(\$12,417,478)
Increase (Decrease):				
Accrued Revenues at June 30, 2002, received during FY 2003	(1,511,321)	(66,614)	(340,987)	(393,121)
Accrued Revenues at June 30, 2001, received during FY 2002	1,935,885	142,421	189,541	330,782
Accrued Expenditures at June 30, 2002, paid during FY 2003	3,798,106	235,359	0	849,586
Accrued Expenditures at June 30, 2001, paid during FY 2002	(2,249,436)	(212,372)	0	(2,339,867)
FY 2001 Prepaids for FY 2002	40,660	0	0	0
FY 2002 Prepaids for FY 2003	(39,867)	0	0	0
Proceeds of Notes	0	0	0	3,400,000
Note Retirements	0	0	0	(3,400,000)
Expenditures from Escrow	0	0	0	140,372
Adjustment to Fair Value	(38,732)	0	0	(6,371)
Encumbrances Outstanding	(352,076)	(189,327)	0	(2,652,450)
Budget Basis	<u>(\$187,750)</u>	<u>(\$75,887)</u>	<u>(\$680,908)</u>	<u>(\$16,488,547)</u>

E. Cash and Cash Equivalents

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

The District pools its cash for investment and 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 3, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

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

The District has invested funds in STAR Ohio during 2002. 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, 2002. See Note 3, "Cash, Cash Equivalents and Investments."

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

Estimated historical costs for general fixed asset values were initially determined by utilizing the services of Industrial Appraisal Associates or 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 fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Machinery, Equipment, Furniture and Fixtures	8-20

I. Long-Term Obligations

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

Obligation	Fund
General Obligation Bonds	General Obligation Bond Retirement Fund
Installment Loans Payable	General Obligation Bond Retirement Fund
Intergovernmental Payable	General Fund, Auxiliary Services Fund, Food Services Fund and Day Care Fund
Compensated Absences	General Fund, Food Services Fund and Day Care Fund
Early Retirement Incentive Payable	General Fund
Capital Leases Payable	General Fund, Capital Improvement Fund

J. 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. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

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

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Operating Transfers In” by the recipient fund, and “Operating Transfers Out” by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers made during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Reservations of Fund Balance

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

N. Total Columns on Combined Financial Statements

Total columns on the “Combined Financial Statement” are captioned “Memorandum Only” to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficit at June 30, 2002 of \$4,144 in the Pacesetter Grant Fund (special revenue funds), arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit at June 30, 2002 of \$2,344,651 in the Building Fund (capital project fund) is the result of recognizing notes payable as a liability under the modified accrual basis. The fund deficits at June 30, 2002 of \$204,842 in the Food Service Fund (enterprise fund) and \$72,130 in the Health Insurance Fund (internal service fund) arose from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. These deficits do not exist under the cash basis of accounting.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

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

Investments:

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

A. Deposits

At year end the carrying amount of the District's deposits was of \$1,879,618 and the bank balance was \$1,753,005. The Federal Deposit Insurance Corporation (FDIC) covered \$200,000 of the bank balance and all remaining deposits were classified as Category 3.

B. Investments

The District's investments at June 30, 2002 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Fair Value</u>
United State Treasury and Agency Securities	\$7,988,989	\$7,988,989
<u>Non-Categorized Investments</u>		
STAR Ohio	N/A	49,489
Total Investments	<u>\$7,988,989</u>	<u>\$8,038,478</u>

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$1,916,409	\$8,001,687
Certificates of Deposit (with maturities of more than 3 months)	12,698	(12,698)
STAR Ohio	(49,489)	49,489
Per GASB Statement No. 3	<u>\$1,879,618</u>	<u>\$8,038,478</u>

NOTE 4 - 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 2002 were levied in April 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

NOTE 4 - PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marysville Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2002, upon which the 2001 levies were based, were as follows:

	<u>Assessed Values for Collection in:</u>	
	<u>2001 Second Half</u>	<u>2002 First Half</u>
Agricultural/Residential and Other Real Estate	\$370,864,870	\$428,925,400
Public Utility Personal	46,622,390	30,979,820
Tangible Personal Property	<u>155,970,920</u>	<u>161,268,517</u>
Total Assessed Value	<u>\$573,458,180</u>	<u>\$621,173,737</u>
Tax rate per \$1,000 of assessed valuation	\$47.80	\$47.56

NOTE 5 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts, interest and intergovernmental receivables.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2002:

	<u>Interfund Loans</u>	<u>Interfund Loans</u>
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$221,252	\$0
Special Revenue Funds:		
Chapter I Fund	0	7,569
Pacesetter Grant Fund	<u>0</u>	<u>13,453</u>
Total Special Revenue Funds	0	21,022
Internal Service Fund:		
Insurance Fund	<u>0</u>	<u>200,230</u>
Totals	<u>\$221,252</u>	<u>\$221,252</u>
	<u>Advance to</u>	<u>Advance from</u>
	<u>Other Fund</u>	<u>Other Fund</u>
General Fund	\$347,232	\$0
Enterprise Fund:		
Food Service Fund	<u>0</u>	<u>347,232</u>
Totals	<u>\$347,232</u>	<u>\$347,232</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

	Due from Other Funds	Due to Other Funds
General Fund	\$0	\$523,528
Special Revenue Funds:		
Auxiliary Services Fund	0	1,477
Title VI-B Fund	0	5,825
Chapter I Fund	0	4,258
Total Special Revenue Funds	0	11,560
Enterprise Funds:		
Food Service Fund	0	29,270
Special Enterprise-Day Care Fund	0	2,800
Total Enterprise Funds	0	32,070
Internal Service Fund:		
Insurance Fund	567,158	0
Totals	<u>\$567,158</u>	<u>\$567,158</u>

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for fiscal year 2002:

Fund	Transfers In	Transfers Out
General Fund	\$0	\$350,526
Special Revenue Funds:		
Public School Support Fund	9	0
District Managed Student Activity Fund	0	9
Totals Special Revenue Funds	9	9
Bond Retirement Fund	350,526	106,463
Capital Projects Fund:		
Building Fund	106,463	0
Total All Funds	<u>\$456,998</u>	<u>\$456,998</u>

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 2002:

Class	June 30, 2001	Additions	Deletions	June 30, 2002
Land	\$1,582,859	\$2,230	\$0	\$1,585,089
Buildings	26,211,187	26,324,551	0	52,535,738
Machinery and Equipment	4,610,153	1,550,890	0	6,161,043
Vehicles	1,070,876	317,434	0	1,388,310
Construction In Progress	20,613,640	12,790,677	(26,416,301)	6,988,016
Totals	<u>\$54,088,715</u>	<u>\$40,985,782</u>	<u>(\$26,416,301)</u>	<u>\$68,658,196</u>

NOTE 8 - FIXED ASSETS (Continued)

B. Proprietary Fixed Assets

Summary by Category at June 30, 2002:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$648,719	(\$285,823)	\$362,896
Total Property, Plant and Equipment	<u>\$648,719</u>	<u>(\$285,823)</u>	<u>\$362,896</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

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

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

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2002, (latest information available) 5.46% was allocated to fund the pension benefit and 8.54% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$243,205, \$499,194, and \$460,080, respectively. 47% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$129,177 representing the unpaid contribution for fiscal year 2002 is recorded as a liability in the respective funds and the General Long-term Obligations Account Group.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**A. School Employees Retirement System of Ohio (SERS of Ohio) (Continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2002 employer contribution rate (latest information available) that was used to fund health care for the year 2002 was 8.54%. 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 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$444,083.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 were \$315.7 million.

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, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, (latest information available) 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$1,439,659, \$1,850,568, and \$1,765,272. 91% has been contributed for fiscal year 2002 and 100% for fiscal year 2001 and 2000. \$129,116 representing the unpaid contribution for fiscal year 2002 is recorded as a liability in the respective funds.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$681,944 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$369,354,000. There were 102,132 eligible benefit recipients.

NOTE 10 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2002, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation and Personal</u>	<u>Total</u>
Liability	\$1,977,424	\$279,360	\$2,256,784

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

NOTE 11 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2002, was as follows:

<u>Note Payable</u>		<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Bond Anticipation Note	3.14%	\$3,400,000	\$0	(\$3,400,000)	\$0
Bond Anticipation Note	2.26%	0	3,400,000	0	3,400,000
		<u>\$3,400,000</u>	<u>\$3,400,000</u>	<u>(\$3,400,000)</u>	<u>\$3,400,000</u>

NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds, installment loan, intergovernmental payable, compensated absences, early retirement incentive, and capital leases of the District for the year ended June 30, 2002 is as follows:

		Balance June 30, 2001	Issued (Retired)	Balance June 30, 2002
General Long-Term Debt:				
(General Obligation Bonds)				
Fiscal Agent Library	7.00%	\$100,000	(\$100,000)	\$0
New High School	7.13%	4,949,999	(815,000)	4,134,999
Refunding New Elementary	3.4-5.15%	7,667,973	(65,000)	7,602,973
Fifth/Sixth Elementary	5.79%	14,999,222	(13,335,000)	1,664,222
New Elementary and Middle School	4.35-5.375%	13,699,995	0	13,699,995
Refunding Fifth/Sixth Elementary		0	13,334,974	13,334,974
		41,417,189	(980,026)	40,437,163
Interest Accretion		19,615	1,360,815	1,380,430
Total General Obligation Bonds		41,436,804	380,789	41,817,593
(Installment Loans)				
Energy Conservation Project	4.95%	545,000	(175,000)	370,000
Energy Conservation Project	5.60%	75,000	(25,000)	50,000
Energy Conservation Project	3.4-4.85%	1,000,000	(60,000)	940,000
Total Installment Loans		1,620,000	(260,000)	1,360,000
Total General Long-Term Debt		43,056,804	120,789	43,177,593
Other General Long-Term Obligations:				
Intergovernmental Payable		172,310	28,920	201,230
Compensated Absences		2,157,155	99,629	2,256,784
Early Retirement Incentive Payable		15,000	0	15,000
Capital Leases Payable		597,521	(359,690)	237,831
Total Other General Long-Term Obligations		2,941,986	(231,141)	2,710,845
Total General Long-Term Debt and Other General Long-Term Obligations		\$45,998,790	(\$110,352)	\$45,888,438

Library improvement bonds were issued to assist the Marysville Library Board in expansion of the library facility since the Library Board has no separate legal debt authority under Ohio law. These bonds are serviced by a separate voter-approved tax levy to meet principal and interest requirements. The revenue for this levy is recorded in the General Obligation Bond Retirement Fund.

NOTE 12 - 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, 2002, follows:

Years	General Obligation Bonds		Installment Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$1,170,000	\$1,886,830	\$255,000	\$66,470	\$1,425,000	\$1,953,300
2004	1,095,000	1,838,392	265,000	54,323	1,360,000	1,892,715
2005	1,175,000	1,787,851	55,000	41,521	1,230,000	1,829,372
2006	457,545	2,462,019	55,000	39,390	512,545	2,501,409
2007	674,165	2,416,729	55,000	37,218	729,165	2,453,947
2008-2012	7,084,797	8,815,952	335,000	131,721	7,419,797	8,947,673
2013-2017	2,460,855	14,817,370	340,000	33,708	2,800,855	14,851,078
2018-2030	26,319,801	15,113,051	0	0	26,319,801	15,113,051
Totals	<u>\$40,437,163</u>	<u>\$49,138,194</u>	<u>\$1,360,000</u>	<u>\$404,351</u>	<u>\$41,797,163</u>	<u>\$49,542,545</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 \$5,550,000 at June 30, 2002, 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 \$7,634,538 at June 30, 2002, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

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, 2002, 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 \$1,020,676 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$100,187.

NOTE 13 - CAPITALIZED LEASES

The District leases several pieces of equipment and vehicles (computer equipment, communications equipment and 5 school buses) under capital leases. The cost of the equipment obtained under capital leases is included in the General Fixed Assets Account Group and the related liability included in the General Long-Term Obligations Account Group.

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, 2002:

Year Ending June 30,	Capital Leases
2003	\$186,211
2004	69,143
Minimum Lease Payments	255,354
Less: Amount representing interest at the District's incremental borrowing rate of interest	(17,523)
Present Value of minimum lease payments	<u>\$237,831</u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains four Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales, Special Services and a Day Care program. The key financial information for the year ended June 30, 2002 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Special Services Rotary	Day Care	Total
Operating Revenues	\$917,342	\$74,003	\$14,026	\$317,909	\$1,323,280
Depreciation Expense	30,246	0	0	1,542	31,788
Operating Income (Loss)	(497,756)	23,766	6,460	(24,069)	(491,599)
Net Income (Loss)	(44,652)	23,780	6,460	(23,904)	(38,316)
Operating Grants	199,481	0	0	0	199,481
Federally Donated Commodities	86,013	0	0	0	86,013
Property, Plant and Equipment:					
Additions	188,104	0	0	0	188,104
Total Assets	439,770	28,498	30,735	135,624	634,627
Net Working Capital	(69,799)	28,498	27,355	56,101	42,155
Total Equity	(91,483)	28,498	27,355	60,631	25,001

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002 the District contracted with several different insurance providers for various insurance coverages, as follows:

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

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

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

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

The claims liability of \$508,640 reported in the fund at June 30, 2002 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2002 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2001	\$274,770	\$2,375,326	(\$2,325,096)	\$325,000
2002	325,000	3,244,405	(3,060,765)	508,640

NOTE 16 - CONTRIBUTED CAPITAL

There were no changes to contributed capital during the year. Contributed capital balances as of year end were as follows:

	Food Service Fund
Contributed Capital at June 30, 2002	<u>\$113,359</u>

NOTE 17 – CONSTRUCTION COMMITMENTS

As of June 30, 2002, the District had the following commitments with respect to capital projects:

<u>Company</u>	<u>Amount Remaining</u>
New Elementary School Construction	\$1,203,456
New Intermediate School Construction	129,600
Raymond Elementary Addition	86,859
Middle School Addition	59,947
Mill Valley Addition	45,463
High School Renovations	30,928

NOTE 18 – STATUTORY RESERVES

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

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2001	\$42,551	\$0	\$113,287	\$155,838
Current Year Set-Aside Requirement	659,773	659,773	0	1,319,546
Qualifying Disbursements	<u>(702,324)</u>	<u>(659,773)</u>	<u>(113,287)</u>	<u>(1,475,384)</u>
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Cash Balance Carried Forward to FY 2003	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

NOTE 19 - 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, 2002.

B. State School Funding

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

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

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/</u> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>United States Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$ 84,116	\$ -	\$ 86,013
National School Lunch Program	045476-LLP1-01 045476-LLP4-01/02	10.555	214,213		214,213	
Total U.S. Department of Agriculture - Nutrition Cluster			214,213	84,116	214,213	86,013
<u>Unites States Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education_Grants to States	045476-6BSD-02 045476-6BSF-01/02	84.027	367,884	-	287,097	-
Special Education_Preschool Grant	045476-PGS1-02	84.173	6,587	-	6,587	-
Total Special Education Cluster			374,471	-	293,684	-
Title I Grants to Local Educational Agencies	045476-C1S1-00/01/02 045476-C1SD-01/02	84.010	313,131	-	257,285	-
Safe and Drug-Free Schools and Communities_State Grants	045476-DRS1-01/02	84.186	21,569	-	19,045	-
Goals 2000_State and Local Education Systemic Improvement Grants	045476-G2S9-01	84.276	15,000		2,511	
Eisenhower Professional Development State Grants	045476-MSS1-00/01/02	84.281	31,199	-	23,609	-
Innovative Educational Program Strategies	045476-C2S1-00/01/02	84.298	23,208	-	15,457	-
Comprehensive School Reform Demonstration	045476-RFS1-01	84.332	225,000	-	185,025	-
Reading Excellence Grant	045476-RNS2-00	84.338	104,651	-	85,880	-
Class Size Reduction	045476-CRS1-02	84.340	92,375	-	79,789	-
School Renovation Grants	045476-ATS1-02	84.352	977	-	-	-
<u>United States Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	NA	93.778	4,638	-	4,638	-
<u>Corporation for National and Community Service</u>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America_School and Community Based Programs	045476-SVS3-00/01/02	94.004	15,000	-	14,650	-
TOTAL FEDERAL AWARDS			\$ 1,435,432	\$ 84,116	\$ 1,195,786	\$ 86,013

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

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 - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the general purpose financial statements of the Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10680-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 14, 2003.

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



BETTY MONTGOMERY
Auditor of State

February 14, 2003



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the compliance of the Marysville Exempted Village School District, Union County, Ohio, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Compliance

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated February 14, 2003.

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Internal Control Over Compliance

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

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

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



BETTY MONTGOMERY
Auditor of State

February 14, 2003

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster - CFDA #10.550/10.555 Class Size Reduction - CFDA #84.340
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002
(Continued)

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

2002-10680-001	
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Third Party Administrator SAS 70 Report

The District has delegated employees' health insurance claims processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to reasonably determine that health insurance claims have been completely and accurately processed in accordance with the health insurance contract.

We recommend that the District implement procedures to reasonably assure the completeness and accuracy, including eligibility and allowability, of health insurance claims processed by its third-party administrator. Statement on Auditing Standards No. 70 prescribes testing and reporting standards for audits of claims processing controls which should satisfy this requirement. As described in that Statement, we recommend that the District obtain a Record on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness from the third party administrator. Such a report, if unqualified, would provide evidence to the District's management that health insurance claims are being processed in conformance with the contract.

We recommend the District specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The District should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

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, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10659-001	Athletic receipts finding paid under audit.	Yes	
2001-10659-002	The District did not obtain a SAS 70 report from its health insurance third-party administrator.	No	Not Corrected.



**Auditor of State
Betty Montgomery**

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2003**