

MADEIRA CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Madeira City School District

We have reviewed the Independent Auditor's Report of the Madeira City School District, Hamilton County, prepared by Plattenburg & Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 17, 2005

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April 29, 2005

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madeira City School District, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

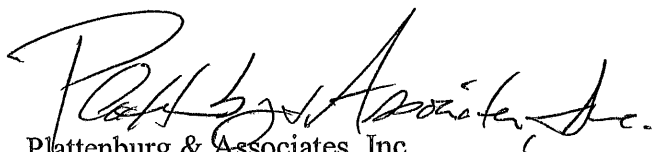
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madeira City School District, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, for the fiscal year ended June 30, 2004, the District reclassified activity formerly reported in the enterprise funds and as a business type activity to special revenue funds and governmental activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2005 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 Management's Discussion and Analysis and the budgetary information is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Plattenburg & Associates, Inc.
Certified Public Accountants

**MADEIRA CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004
(Unaudited)**

The discussion and analysis of Madeira City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets decreased (\$1,674,512).
- General revenues accounted for \$12,622,989 in revenue or 90.3% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,360,846 or 9.7% of total revenues of \$13,983,835.
- Total assets of governmental activities increased by \$28,470,512 as taxes receivable increased by \$906,753 and cash and other receivables increased by \$26,937,737.
- The District had \$15,658,347 in expenses related to governmental activities; \$1,360,846 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,622,989 were also used to provide for these programs.
- As the major fund, the General Fund had \$11,336,193 in revenues and \$12,884,425 in expenditures. The General Fund's fund balance decreased from \$6,669,097 to \$5,031,293.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General and Building Funds are the major funds of the District.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the District presents:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2003 compared to 2004:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Assets		
Current and Other Assets	\$14,856,690	\$42,701,660
Capital Assets	<u>4,601,425</u>	<u>5,226,967</u>
Total Assets	<u>19,458,115</u>	<u>47,928,627</u>
Liabilities		
Long-Term Liabilities	5,458,225	5,431,331
Other Liabilities	<u>6,903,730</u>	<u>37,075,648</u>
Total Liabilities	<u>12,361,955</u>	<u>42,506,979</u>
Net Assets		
Invested in Capital Assets		
Net of Debt	405,131	167,705
Restricted	1,196,981	929,733
Unrestricted	<u>5,494,048</u>	<u>4,324,210</u>
Total Net Assets	<u>\$7,096,160</u>	<u>\$5,421,648</u>

Total assets increased \$28,470,512. Equity in pooled cash and cash equivalents increased \$26,938,817. Taxes receivable increased \$906,753. Total liabilities increased \$30,145,024, resulting in a net asset decrease of \$1,674,512.

Table 2 shows the change in net assets for fiscal years 2003 and 2004.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2003 Restated</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,071,399	\$770,763
Operating Grants	581,161	581,027
Capital Grants	51,185	9,056
General Revenue:		
Property Taxes	9,291,383	7,607,519
Grants and Entitlements	4,179,116	4,187,779
Other	<u>515,018</u>	<u>827,691</u>
Total Revenues	<u>15,689,262</u>	<u>13,983,835</u>
Program Expenses:		
Instruction	7,645,952	8,273,132
Support Services:		
Pupil and Instructional Staff	1,611,207	1,653,513
General and School Administrative, Fiscal and Business	1,310,085	1,591,119
Operations and Maintenance	967,360	1,250,598
Pupil Transportation	576,495	652,808
Central	126,299	235,762
Operation of Non-Instructional Services	1,091,696	1,194,777
Extracurricular Activities	524,376	616,432
Interest and Fiscal Charges	<u>293,359</u>	<u>190,206</u>
Total Expenses	<u>14,146,829</u>	<u>15,658,347</u>
Increase (decrease) in Net Assets	1,542,433	(1,674,512)
Beginning Net Assets	<u>5,553,727</u>	<u>7,096,160</u>
Ending Net Assets	<u>\$7,096,160</u>	<u>\$5,421,648</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 84.3% of the District's revenues for governmental activities.

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 54.4% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 53% of governmental program expenses. Support services expenses were 34% of governmental program expenses. All other expenses, including interest expense were 13%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2003 Restated</u>	<u>2004</u>	<u>2003 Restated</u>	<u>2004</u>
Instruction	\$7,645,952	\$8,273,132	(\$7,345,378)	(\$8,027,511)
Support Services:				
Pupil and Instructional Staff	1,611,207	1,653,513	(1,524,664)	(1,337,489)
Board, Administration, Fiscal and Business	1,310,085	1,591,119	(1,147,921)	(1,577,114)
Operations and Maintenance	967,360	1,250,598	(967,360)	(1,250,598)
Pupil Transportation	576,495	652,808	(549,224)	(643,752)
Central	126,299	235,762	(108,796)	(219,774)
Operation of Non-Instructional Services	1,091,696	1,194,777	(72,397)	(162,437)
Extracurricular Activities	524,376	616,432	(433,985)	(505,645)
Interest and Fiscal Charges	<u>293,359</u>	<u>190,206</u>	<u>(293,359)</u>	<u>(190,206)</u>
Total Expenses	<u>\$14,146,829</u>	<u>\$15,658,347</u>	<u>(\$12,443,084)</u>	<u>(\$13,914,526)</u>

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$14,058,968 and expenditures and other financing uses of \$16,588,800. The net change in fund balance for the year was (\$2,529,832) or (31.7%).

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis actual revenue was \$12,318,424, compared to final budget estimates of \$12,316,715. Of the \$1,709 difference, most was due to an under estimate for investment earnings.

The District's ending unobligated cash balance was \$2,236 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$5,226,967 invested in land, construction in progress, buildings, and equipment. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Land	\$402,381	\$963,381
Construction in Progress	0	232,545
Buildings and Improvements	3,501,492	3,363,156
Equipment	<u>697,552</u>	<u>667,885</u>
Total Net Assets	<u>\$4,601,425</u>	<u>\$5,226,967</u>

The increase in capital assets is due to the purchase of land and design costs for future construction. The District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2004, the District had \$5,059,262 in debt outstanding, \$284,878 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2004</u>
General Obligation Bonds	\$5,040,000	\$4,795,000
Energy Conservation Note	36,778	18,937
Note Payable	<u>0</u>	<u>245,325</u>
Total	<u>\$5,076,778</u>	<u>\$5,059,262</u>

For the Future

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

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

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

Contacting the District’s Financial Management

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

Madeira City School District
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$33,537,347
Receivables:	
Taxes	9,116,165
Intergovernmental	46,832
Inventory	1,316
Nondepreciable Capital Assets	1,195,926
Depreciable Capital Assets, Net	<u>4,031,041</u>
 Total Assets	 <u>47,928,627</u>
 Liabilities:	
Accounts Payable	217,277
Accrued Wages and Benefits	1,964,796
Accrued Interest Payable	30,333
Deferred Revenue	6,863,242
General Obligation Notes Payable	28,000,000
Long-Term Liabilities:	
Due Within One Year	340,180
Due In More Than One Year	<u>5,091,151</u>
 Total Liabilities	 <u>42,506,979</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	167,705
Restricted for:	
Special Revenue	348,337
Debt Service	581,396
Unrestricted	<u>4,324,210</u>
 Total Net Assets	 <u>\$5,421,648</u>

See accompanying notes to the basic financial statements.

Madeira City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$6,551,970	\$19,387	\$20,617	\$0	(\$6,511,966)
Special	1,710,977	0	205,617	0	(1,505,360)
Vocational	3,417	0	0	0	(3,417)
Other	6,768	0	0	0	(6,768)
Support Services:					
Pupil	830,624	25,717	12,495	0	(792,412)
Instructional Staff	822,889	226,337	51,475	0	(545,077)
General Administration	40,555	0	0	0	(40,555)
School Administration	1,128,012	14,005	0	0	(1,114,007)
Fiscal	303,865	0	0	0	(303,865)
Business	118,687	0	0	0	(118,687)
Operations and Maintenance	1,250,598	0	0	0	(1,250,598)
Pupil Transportation	652,808	0	0	9,056	(643,752)
Central	235,762	0	15,988	0	(219,774)
Operation of Non-Instructional Services	1,194,777	757,505	274,835	0	(162,437)
Extracurricular Activities	616,432	110,787	0	0	(505,645)
Interest and Fiscal Charges	190,206	0	0	0	(190,206)
Total Governmental Activities	15,658,347	1,153,738	581,027	9,056	(13,914,526)

General Revenues:

Property Taxes Levied for:	
General Purposes	7,295,179
Debt Service Purposes	312,340
Grants and Entitlements not Restricted to Specific Programs	4,187,779
Unrestricted Contributions	3,150
Investment Earnings	45,612
Refunds and Reimbursements	5,579
Other Revenues	390,375
Total General Revenues and Transfers	12,240,014
Change in Net Assets	(1,674,512)
Net Assets Beginning of Year (Restated)	7,096,160
Net Assets End of Year	\$5,421,648

See accompanying notes to the basic financial statements.

Madeira City School District
 Balance Sheet
 Governmental Funds
 June 30, 2004

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$4,927,992	\$27,508,423	\$1,100,932	\$33,537,347
Receivables:				
Taxes	8,022,057	0	1,094,108	9,116,165
Intergovernmental	0	0	46,832	46,832
Interfund	15,018	0	0	15,018
Inventory	0	0	1,316	1,316
Total Assets	12,965,067	27,508,423	2,243,188	42,716,678
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	15,326	196,897	5,054	217,277
Accrued Wages and Benefits	1,771,906	0	110,499	1,882,405
Compensated Absences	30,485	0	2,448	32,933
Interfund Payable	0	0	15,018	15,018
Deferred Revenue	6,116,057	0	1,007,742	7,123,799
General Obligation Notes Payable	0	28,000,000	0	28,000,000
Total Liabilities	7,933,774	28,196,897	1,140,761	37,271,432
Fund Balances:				
Reserved for Encumbrances	0	1,737,875	30,992	1,768,867
Reserved for Inventory	0	0	1,316	1,316
Reserved for Property Tax Advances	1,906,000	0	86,700	1,992,700
Unreserved, Undesignated, Reported in:				
General Fund	3,125,293	0	0	3,125,293
Special Revenue Funds	0	0	333,114	333,114
Debt Service Funds	0	0	525,029	525,029
Capital Projects Funds	0	(2,426,349)	125,276	(2,301,073)
Total Fund Balances	5,031,293	(688,474)	1,102,427	5,445,246
Total Liabilities and Fund Balances	\$12,965,067	\$27,508,423	\$2,243,188	\$42,716,678

See accompanying notes to the basic financial statements.

Madeira City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2004

Total Governmental Fund Balance		\$5,445,246
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,226,967
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	260,223	
Intergovernmental	<u>334</u>	
		260,557
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(30,333)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Pension Obligation	(82,391)	
Compensated Absences	<u>(339,136)</u>	
		(421,527)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(5,059,262)</u>
Net Assets of Governmental Activities		<u>\$5,421,648</u>

See accompanying notes to the basic financial statements.

Madeira City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$7,045,787	\$0	\$301,509	\$7,347,296
Tuition and Fees	61,833	0	0	61,833
Investment Earnings	42,272	349	2,991	45,612
Intergovernmental	4,150,769	0	627,477	4,778,246
Extracurricular Activities	2,948	0	319,531	322,479
Charges for Services	0	0	755,422	755,422
Other Revenues	32,584	0	380,449	413,033
Total Revenues	11,336,193	349	2,387,379	13,723,921
Expenditures:				
Current:				
Instruction:				
Regular	6,285,995	0	38,058	6,324,053
Special	1,510,804	0	216,741	1,727,545
Vocational	0	0	3,417	3,417
Other	374	0	0	374
Support Services:				
Pupil	766,343	0	46,029	812,372
Instructional Staff	435,105	0	382,175	817,280
General Administration	40,555	0	0	40,555
School Administration	1,104,144	0	0	1,104,144
Fiscal	299,231	0	4,574	303,805
Business	110,869	0	0	110,869
Operations and Maintenance	1,076,849	0	162,481	1,239,330
Pupil Transportation	652,737	0	0	652,737
Central	218,107	0	7,820	225,927
Operation of Non-Instructional Services	48,522	0	1,123,546	1,172,068
Extracurricular Activities	334,790	0	271,138	605,928
Capital Outlay	0	688,823	223,017	911,840
Debt Service:				
Principal Retirement	0	0	262,841	262,841
Interest and Fiscal Charges	0	0	184,068	184,068
Total Expenditures	12,884,425	688,823	2,925,905	16,499,153
Excess of Revenues Over (Under) Expenditures	(1,548,232)	(688,474)	(538,526)	(2,775,232)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	75	0	0	75
Proceeds of Long-Term Capital-Related Debt	0	0	245,325	245,325
Transfers In	0	0	89,647	89,647
Transfers (Out)	(89,647)	0	0	(89,647)
Total Other Financing Sources (Uses)	(89,572)	0	334,972	245,400
Net Change in Fund Balance	(1,637,804)	(688,474)	(203,554)	(2,529,832)
Fund Balance Beginning of Year (Restated)	6,669,097	0	1,305,981	7,975,078
Fund Balance End of Year	\$5,031,293	(\$688,474)	\$1,102,427	\$5,445,246

See accompanying notes to the basic financial statements.

Madeira City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balance - Total Governmental Funds (\$2,529,832)

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	911,840	
Depreciation Expense	<u>(286,298)</u>	625,542

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

Delinquent Property Taxes	260,223	
Intergovernmental	<u>(384)</u>	259,839

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 262,841

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (6,138)

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

Pension Obligation	(32,763)	
Compensated Absences	<u>(8,676)</u>	(41,439)

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net assets. (245,325)

		<u><u>(\$1,674,512)</u></u>
Change in Net Assets of Governmental Activities		

See accompanying notes to the basic financial statements.

Madeira City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$750	\$38,743
Total Assets	<u>750</u>	<u>\$38,743</u>
Liabilities:		
Accounts Payable	0	228
Other Liabilities	0	38,515
Total Liabilities	<u>0</u>	<u>\$38,743</u>
Net Assets:		
Held in Trust	<u>750</u>	
Total Net Assets	<u>\$750</u>	

See accompanying notes to the basic financial statements.

Madeira City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust
Additions:	
Other	\$23
Total Additions	23
Deductions:	
Scholarships	500
Total Deductions	500
Change in Net Assets	(477)
Net Assets Beginning of Year	1,227
Net Assets End of Year	\$750

See accompanying notes to the basic financial statements.

**MADEIRA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

1. DESCRIPTION OF THE DISTRICT

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

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

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

REPORTING ENTITY

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

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

The following activities are included within the reporting entity:

Parochial Schools

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Building Capital Projects Fund - The building fund is used to account for all transactions related to all special bond funds in the District. Proceeds from the sale of bonds, except premium and accrued interest, are paid into this fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has a private purpose trust which accounts for scholarship programs for students. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

CASH AND CASH EQUIVALENTS

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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, 2004.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2004 amounted to \$45,612.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of food held for resale and consumable supplies.

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liabilities are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

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

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

NET ASSETS

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

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

INTERFUND ACTIVITY

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

FUND EQUITY

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

INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

ESTIMATES

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

4. CASH AND CASH EQUIVALENTS

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

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

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

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

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

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

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

Deposits – At the year end, the carrying amount of the District's deposits was \$2,507,447. The bank balance of deposits was \$2,682,073 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$2,582,073 was covered by 105% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

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

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

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

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

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

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Federal Agency Security	\$0	\$31,061,727	\$0	\$31,061,727
Money Market*	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,666</u>
Total Investments	<u>\$0</u>	<u>\$31,061,727</u>	<u>\$0</u>	<u>\$31,069,393</u>

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

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

5. PROPERTY TAXES

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2004, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$1,906,000 for General Fund and \$86,700 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 operations.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$237,421,340
Public Utility Personal	4,466,680
Tangible Personal Property	<u>3,980,440</u>
Total	<u>\$245,868,460</u>

6. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Government Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$402,381	\$561,000	\$0	\$963,381
Construction in Progress	<u>0</u>	<u>232,545</u>	<u>0</u>	<u>232,545</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,783,463	0	0	6,783,463
Equipment	<u>1,913,109</u>	<u>118,295</u>	<u>0</u>	<u>2,031,404</u>
Totals at Historical Cost	<u>\$9,098,953</u>	<u>\$911,840</u>	<u>\$0</u>	<u>\$10,010,793</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$3,281,971	\$138,336	\$0	\$3,420,307
Equipment	<u>1,215,557</u>	<u>147,962</u>	<u>0</u>	<u>1,363,519</u>
Total Accumulated Depreciation	<u>\$4,497,528</u>	<u>\$286,298</u>	<u>\$0</u>	<u>\$4,783,826</u>
Governmental Activities Capital Assets, Net	<u>\$4,601,425</u>	<u>\$625,542</u>	<u>\$0</u>	<u>\$5,226,967</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$208,807
Special	6,180
Other Instruction	6,394
Support Services:	
Pupil	1,040
Instructional Staff	6,285
School Administration	9,543
Fiscal	915
Business	7,803
Operations and Maintenance	15,235
Pupil Transportation	71
Central	9,215
Operation of Non-Instructional Services	4,562
Extracurricular Activities	<u>10,248</u>
Total Depreciation Expense	<u>\$286,298</u>

8. NOTES PAYABLE

The District was liable during the fiscal year for a bond anticipation note payable presented below.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30</u>
Bond Anticipation	1.75%	04/28/04	10/12/04	\$0	\$28,000,000	\$0	\$28,000,000

Each note is shown as a liability on the fund financial statements in the fund which received the proceeds. The various bond anticipation notes payable were issued to be used on various construction projects through out the District, mainly for construction of new buildings.

9. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds and Notes:						
School Improvement 1997 5.75%	12/01/16	\$5,040,000	\$ 0	\$245,000	\$4,795,000	\$220,000
Energy Conservation Note 2000 5.00%	6/30/05	36,778	0	17,841	18,937	18,937
Note Payable	9/30/08	0	245,325	0	245,325	45,941
Total General Obligation Bonds		5,076,778	245,325	262,841	5,059,262	284,878
Compensated Absences		381,447	37,162	46,540	372,069	55,302
Total Governmental Activities Long-Term Liabilities		<u>\$5,458,225</u>	<u>\$282,487</u>	<u>\$309,381</u>	<u>\$5,431,331</u>	<u>\$340,180</u>

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

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

<u>General Obligation Bonds and Notes</u>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$284,878	\$292,422	\$577,300
2006	282,452	278,980	561,432
2007	304,024	265,317	569,341
2008	330,626	250,316	580,942
2009	352,282	233,670	585,952
2010-2014	1,970,000	811,921	2,781,921
2015-2017	1,535,000	186,013	1,721,013
Totals	<u>\$5,059,262</u>	<u>\$2,318,639</u>	<u>\$7,377,901</u>

9. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$238,032, \$229,740, and \$173,088 respectively; 48% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.3%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$984,180, \$885,636, and \$853,284 respectively; 82% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

10. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$70,298 during the 2004 fiscal year. As of June 30, 2004, eligible benefit recipients totaled 111,853. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For 2004 fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$83,481 during the 2004 fiscal year. The number of participants currently receiving health care benefits is approximately 62,000. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$223,443,805.

11. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

LITIGATION

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

12. JOINTLY GOVERNED ORGANIZATIONS

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

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

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

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted with The Cincinnati Insurance Co., Crum & Forster Insurance, and Nationwide Insurance Company for property and general liability insurance and boiler machinery insurance.

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

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

14. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-elect and Immediate Past President of OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee for the GRP to cover the costs of administering the program.

15. STATE SCHOOL FUNDING DECISION

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

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

16. ACCOUNTABILITY AND COMPLIANCE

Accountability

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Safe School Help Line	\$2,712
Title II Eisenhower	6,828
Title I	787
Title VI Innovative Projects	91
Title VIR	229
Food Service	375
Special Enterprise	24,278
Capital Projects Fund:	
Building	688,474

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Compliance

Ohio Revised Code Section 5705.41D states that no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During the year certain expenditures were not properly encumbered prior to incurring the obligation.

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2003	(\$94,136)	\$ 0
Current Year Set-aside Requirement	207,710	207,710
Qualified Disbursements	(205,780)	0
Current Year Offsets	<u>0</u>	<u>(207,710)</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>(\$92,206)</u>	<u>\$ 0</u>
Restricted Cash as of June 30, 2004	<u>\$ 0</u>	

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$326,564, which exceeded the required set-aside and reserve balance. Qualifying disbursements for textbook reserve during the year and carried over from last year were \$299,916, which exceeded the required set aside and \$92,206 may be carried forward to use in future years. Senate Bill 345 eliminated the Budget Stabilization Reserve.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2004, consisted of the following individual fund receivables and payables:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	<u>\$15,018</u>	<u>\$0</u>	<u>\$0</u>	<u>\$89,647</u>
Nonmajor Funds:				
Title II Eisenhower	0	7,241	0	0
Title I	0	787	0	0
Title VI Innovative Projects	0	91	0	0
Title VIR	0	6,899	0	0
Food Service	0	0	20,000	0
Debt Service Fund	0	0	19,647	0
Permanent Improvement	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>0</u>
Total Nonmajor Funds	<u>0</u>	<u>15,018</u>	<u>89,647</u>	<u>0</u>
Total All Funds	<u>\$15,018</u>	<u>\$15,018</u>	<u>\$89,647</u>	<u>\$89,647</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

19. PRIOR PERIOD ADJUSTMENT

The beginning net asset/fund balances of other governmental funds, enterprise and governmental activities have been adjusted for the reclassification of enterprise funds and adjustments to capital assets detail as follows:

	Other Governmental <u>Funds</u>	<u>Enterprise</u>	Governmental <u>Activities</u>
June 30, 2003 Fund Balance/ Net Assets, as previously stated	\$1,253,711	\$62,589	\$7,914,049
Fund Reclassification	52,270	(62,589)	62,589
Capital Assets, Net	<u>0</u>	<u>0</u>	<u>(880,478)</u>
June 30, 2003 Fund Balance/ Net Assets, as restated	<u>\$1,305,981</u>	<u>\$0</u>	<u>\$7,096,160</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Madeira City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,079,591	\$8,081,888	\$8,081,887	(\$1)
Tuition and Fees	14,058	14,062	14,062	0
Investment Earnings	42,260	40,560	42,272	1,712
Intergovernmental	4,149,590	4,150,770	4,150,769	(1)
Other Revenues	29,426	29,435	29,434	(1)
Total Revenues	12,314,925	12,316,715	12,318,424	1,709
Expenditures:				
Current:				
Instruction:				
Regular	6,141,317	6,220,060	6,220,031	29
Special	1,465,215	1,484,015	1,483,995	20
Other	369	374	374	0
Support Services:				
Pupil	737,242	746,729	746,691	38
Instructional Staff	422,895	428,340	428,315	25
General Administration	40,042	40,556	40,555	1
School Administration	1,015,161	1,028,204	1,028,172	32
Fiscal	295,703	299,587	299,493	94
Business	109,288	110,762	110,689	73
Operations and Maintenance	1,052,652	1,066,208	1,066,144	64
Pupil Transportation	644,477	652,740	652,737	3
Central	197,625	200,247	200,158	89
Operation of Non-Instructional Services	2,310	2,340	2,340	0
Extracurricular Activities	325,954	330,191	330,132	59
Total Expenditures	12,450,250	12,610,353	12,609,826	527
Excess of Revenues Over (Under) Expenditures	(135,325)	(293,638)	(291,402)	2,236
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	75	75	75	0
Advances In	4,937	5,000	5,000	0
Transfers (Out)	(88,513)	(89,647)	(89,647)	0
Total Other Financing Sources (Uses)	(83,501)	(84,572)	(84,572)	0
Net Change in Fund Balance	(218,826)	(378,210)	(375,974)	2,236
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	5,293,368	5,293,368	5,293,368	0
Fund Balance End of Year	\$5,074,542	\$4,915,158	\$4,917,394	\$2,236

MADEIRA CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2004

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2004.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$1,637,804)
Net Adjustment for Revenue Accruals	987,231
Net Adjustment for Expenditure Accruals	274,784
Encumbrances	<u>(185)</u>
Budget Basis	<u>(\$375,974)</u>

MADEIRA CITY SCHOOL DISTRICT

Yellow Book Reports

June 30, 2004



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

April 29, 2005

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Madeira City School District, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of non-compliance required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

Internal Control Over Financial Reporting

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

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


Plattenburg & Associates, Inc.
Certified Public Accountants

Schedule of Findings
June 30, 2004

Finding Number 2004-001

Non Compliance Citation

Ohio Revised Code Section 5705.41D states that no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Fifty-six percent of the District's expenditures tested were not properly encumbered prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.



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Betty Montgomery**

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**MADEIRA CITY SCHOOL DISTRICT
HAMILTON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 31, 2005**