

**MADEIRA CITY SCHOOL DISTRICT**

**Basic Financial Statements**

**June 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Education  
Madeira City School District  
7465 Loannes Drive  
Madeira, Ohio 45243

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

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

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

BETTY MONTGOMERY  
Auditor of State

March 14, 2006

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# PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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December 16, 2005

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education  
Madeira City School District

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, 2005, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, 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 discussed in Note 18, the District has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by 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 required 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, 2005  
(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, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$1,167,347.
- General revenues accounted for \$16,443,784 in revenue or 90.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,710,191 or 9.4% of total revenues of \$18,153,975.
- Total assets of governmental activities increased by \$3,435,201 as taxes receivable increased by \$2,662,756, capital assets increased by \$5,892,780, while cash and other receivables decreased by \$5,122,959.
- The District had \$16,986,628 in expenses related to governmental activities; \$1,710,191 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,443,784 were also used to provide for these programs.

**OVERVIEW OF THE 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, Debt Service and Building Funds are the major funds of the District.

## Government-wide Financial Statements

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 2005?" The Government-wide Financial Statements 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 Government-wide Financial Statements, the District presents:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

## 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.



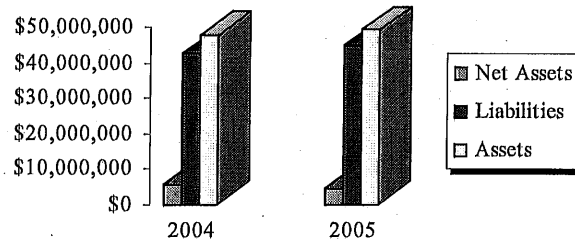
## The District as a Whole

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 2004 compared to 2005:

Table 1  
Net Assets

	Governmental Activities	
	2004	2005
<b>Assets</b>		
Current Assets	\$42,701,660	\$40,244,081
Capital Assets	5,226,967	11,119,747
<b>Total Assets</b>	<b>47,928,627</b>	<b>51,363,828</b>
<b>Liabilities</b>		
Long-Term Liabilities	5,431,331	33,051,910
Other Liabilities	37,075,649	11,722,924
<b>Total Liabilities</b>	<b>42,506,980</b>	<b>44,774,834</b>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	167,705	101,912
Restricted	929,733	1,446,703
Unrestricted	4,324,209	5,040,379
<b>Total Net Assets</b>	<b>\$5,421,647</b>	<b>\$6,588,994</b>



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$6,588,994.

At year-end, capital assets represented 22% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$101,912. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,446,703, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Table 2 shows the change in net assets for fiscal years 2004 and 2005.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2004	2005
Revenues		
Program Revenues:		
Charges for Services	\$1,153,738	\$991,276
Operating Grants	581,027	689,023
Capital Grants	9,056	29,892
General Revenue:		
Property Taxes	7,607,519	11,470,447
Grants and Entitlements	4,187,779	4,150,968
Other	444,716	822,369
Total Revenues	<u>13,983,835</u>	<u>18,153,975</u>
Program Expenses:		
Instruction	8,273,133	8,806,145
Support Services:		
Pupil and Instructional Staff	1,653,513	1,706,641
General and School Administrative, Fiscal and Business	1,591,119	1,422,087
Operations and Maintenance	1,250,598	1,200,711
Pupil Transportation	652,808	843,318
Central	235,762	268,060
Operation of Non-Instructional Services	1,194,777	1,040,215
Extracurricular Activities	616,432	555,049
Interest and Fiscal Charges	190,206	1,144,402
Total Expenses	<u>15,658,348</u>	<u>16,986,628</u>
Change in Net Assets	(1,674,513)	1,167,347
Beginning Net Assets	<u>7,096,160</u>	<u>5,421,647</u>
Ending Net Assets	<u>\$5,421,647</u>	<u>\$6,588,994</u>

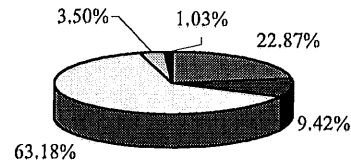
### Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes, and grants and entitlements comprised 86% 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 63% of revenue for governmental activities for the District in fiscal year 2005.

Revenue Sources	2005	Percent of Total
General Grants	\$4,150,968	22.87%
Program Revenues	1,710,191	9.42%
General Tax Revenues	11,470,447	63.18%
Investment Earnings	634,627	3.50%
Other Revenues	187,742	1.03%
	<u>\$18,153,975</u>	<u>100.00%</u>



Instruction comprises 52% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses, including interest expense were 16%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District had a large increase in the amounts of taxes revenue received, which is mainly due to the increase in taxes available for advance from 2004 to 2005.

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

	Total Cost of Services		Net Cost of Services	
	2004	2005	2004	2005
Instruction	\$8,273,133	\$8,806,145	(\$8,027,512)	(\$8,503,106)
Support Services:				
Pupil and Instructional Staff	1,653,513	1,706,641	(1,337,489)	(1,609,766)
General and School Administrative, Fiscal and Business	1,591,119	1,422,087	(1,577,114)	(1,408,168)
Operations and Maintenance	1,250,598	1,200,711	(1,250,598)	(1,200,711)
Pupil Transportation	652,808	843,318	(643,752)	(824,556)
Central	235,762	268,060	(219,774)	(261,793)
Operation of Non-Instructional Services	1,194,777	1,040,215	(162,437)	10,213
Extracurricular Activities	616,432	555,049	(505,645)	(334,148)
Interest and Fiscal Charges	190,206	1,144,402	(190,206)	(1,144,402)
<b>Total Expenses</b>	<u>\$15,658,348</u>	<u>\$16,986,628</u>	<u>(\$13,914,527)</u>	<u>(\$15,276,437)</u>

## **The District's Funds**

The District has three major governmental funds: the General Fund, Debt Service Fund and the Building Fund. Assets of the general fund comprised \$13,344,666 (33%), the debt service fund comprised \$2,768,712 (7%) and the building fund comprised \$23,684,372 (59%) of the total \$40,244,081 governmental funds assets.

**General Fund:** Fund balance at June 30, 2005 was \$5,121,267 an increase in fund balance of \$151,690 from 2004. The fund balance remained fairly consistent from 2004 to 2005.

**Debt Service Fund:** Fund balance at June 30, 2005 was \$1,340,315 including \$550,315 of unreserved balance. The primary reasons for the increase in fund balance was an increase in tax revenue mainly due to an increase in taxes available for advance in 2005 compared to 2004.

**Building Fund:** Fund balance at June 30, 2005 was \$21,508,102 including \$7,569,471 of unreserved balance. The fund balance increased from 2004 mainly due to a transfer in of \$28,000,000 from the debt service fund to retire the Bond Anticipation Note.

## **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 2005, 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, the original budget basis revenue was \$12,348,596, compared to final budget estimates of \$12,348,596. There was no difference between the original budget basis and final budget.

The District's ending unobligated cash balance was \$3,746,357.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2005, the District had \$11,119,747 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

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

	Governmental Activities	
	2004	2005
Land	\$963,381	\$963,381
Construction in Progress	232,545	6,343,451
Buildings and Improvements	3,363,156	3,224,820
Equipment	667,885	588,095
Total Net Capital Assets	<u>\$5,226,967</u>	<u>\$11,119,747</u>

The increase in capital assets is due to the costs for construction of the new building.

See the notes to the basic financial statements for further details on the District's capital assets.

### Debt

At June 30, 2005, the District had \$32,674,384 in debt outstanding, \$387,452 due within one year. Table 5 summarizes debt outstanding.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities	
	2004	2005
General Obligation Bonds	\$4,795,000	\$4,475,000
Energy Conservation Note	18,937	0
Note Payable	245,325	199,384
School Improvement:		
Current Interest Bonds	0	27,635,000
Capital Appreciation Bonds	0	365,000
Total Bonds	<u>\$5,059,262</u>	<u>\$32,674,384</u>

See the notes to the basic financial statements for further details on the District's long-term obligations.

## **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 Susan Crabill, Treasurer at Madeira City School District, 7465 Loannes Drive, Cincinnati, Ohio 45243. Or E-mail at [scrabill@madeiracityschools.org](mailto:scrabill@madeiracityschools.org).

Madeira City School District  
Statement of Net Assets  
June 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$28,432,840
Receivables:	
Taxes	11,778,921
Intergovernmental	28,380
Inventory	3,940
Nondepreciable Capital Assets	7,306,832
Depreciable Capital Assets, Net	<u>3,812,915</u>
 Total Assets	 <u>51,363,828</u>
Liabilities:	
Accounts Payable	80,245
Accrued Wages and Benefits	2,027,046
Accrued Interest Payable	143,355
Contracts Payable	2,153,928
Deferred Revenue	7,318,350
Long-Term Liabilities:	
Due Within One Year	571,845
Due In More Than One Year	<u>32,480,065</u>
 Total Liabilities	 <u>44,774,834</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	101,912
Restricted for:	
Special Revenue	197,124
Debt Service	1,249,579
Unrestricted	<u>5,040,379</u>
 Total Net Assets	 <u>\$6,588,994</u>

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2005

	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
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$6,945,040	\$3,441	\$68,283	\$11,130	(\$6,862,186)
Special	1,854,563	0	214,752	0	(1,639,811)
Vocational	6,542	0	5,433	0	(1,109)
<b>Support Services:</b>					
Pupil	918,085	38,377	9,881	0	(869,827)
Instructional Staff	788,556	3,947	44,670	0	(739,939)
General Administration	30,772	0	0	0	(30,772)
School Administration	960,405	13,919	0	0	(946,486)
Fiscal	321,625	0	0	0	(321,625)
Business	109,285	0	0	0	(109,285)
Operations and Maintenance	1,200,711	0	0	0	(1,200,711)
Pupil Transportation	843,318	0	0	18,762	(824,556)
Central	268,060	0	6,267	0	(261,793)
Operation of Non-Instructional Services	1,040,215	710,691	339,737	0	10,213
Extracurricular Activities	555,049	220,901	0	0	(334,148)
Interest and Fiscal Charges	1,144,402	0	0	0	(1,144,402)
<b>Total Governmental Activities</b>	<b>\$16,986,628</b>	<b>\$991,276</b>	<b>\$689,023</b>	<b>\$29,892</b>	<b>(15,276,437)</b>
<b>General Revenues:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					9,616,347
Debt Service Purposes					1,854,100
Grants and Entitlements not Restricted to Specific Programs					4,150,968
Investment Earnings					634,627
Other Revenues					187,742
<b>Total General Revenues</b>					<b>16,443,784</b>
Change in Net Assets					1,167,347
Net Assets Beginning of Year					5,421,647
Net Assets End of Year					<b>\$6,588,994</b>

See accompanying notes to the basic financial statements.



Madeira City School District  
Balance Sheet  
Governmental Funds  
June 30, 2005

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$3,784,142	\$550,315	\$23,684,372	\$414,011	\$28,432,840
<b>Receivables:</b>					
Taxes	9,560,524	2,218,397	0	0	11,778,921
Intergovernmental	0	0	0	28,380	28,380
Inventory	0	0	0	3,940	3,940
<b>Total Assets</b>	<b>13,344,666</b>	<b>2,768,712</b>	<b>23,684,372</b>	<b>446,331</b>	<b>40,244,081</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	34,767	0	22,342	23,136	80,245
Accrued Wages and Benefits	1,869,835	0	0	157,211	2,027,046
Compensated Absences	138,273	0	0	0	138,273
Contracts Payable	0	0	2,153,928	0	2,153,928
Deferred Revenue	6,180,524	1,428,397	0	28,380	7,637,301
<b>Total Liabilities</b>	<b>8,223,399</b>	<b>1,428,397</b>	<b>2,176,270</b>	<b>208,727</b>	<b>12,036,793</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	3,267	0	13,938,631	59,825	14,001,723
Reserved for Inventory	0	0	0	3,940	3,940
Reserved for Property Tax Advances	3,380,000	790,000	0	0	4,170,000
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	1,738,000	0	0	0	1,738,000
Special Revenue Funds	0	0	0	104,979	104,979
Debt Service Funds	0	550,315	0	0	550,315
Capital Projects Funds	0	0	7,569,471	68,860	7,638,331
<b>Total Fund Balances</b>	<b>5,121,267</b>	<b>1,340,315</b>	<b>21,508,102</b>	<b>237,604</b>	<b>28,207,288</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,344,666</b>	<b>\$2,768,712</b>	<b>\$23,684,372</b>	<b>\$446,331</b>	<b>\$40,244,081</b>

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, 2005

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Total Governmental Fund Balance		\$28,207,288
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.		11,119,747
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	290,571	
Intergovernmental	<u>28,380</u>	
		318,951
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.		(143,355)
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.		
Compensated Absences	<u>(239,253)</u>	
		(239,253)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(32,674,384)</u>
Net Assets of Governmental Activities		<u>\$6,588,994</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, 2005

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$9,627,787	\$1,812,312	\$0	\$0	\$11,440,099
Tuition and Fees	3,391	0	0	0	3,391
Investment Earnings	104,743	122,909	404,704	2,271	634,627
Intergovernmental	4,022,230	147,500	0	672,107	4,841,837
Extracurricular Activities	3,947	0	0	259,278	263,225
Charges for Services	0	0	0	710,691	710,691
Other Revenues	30,145	0	11,850	145,736	187,731
<b>Total Revenues</b>	<b>13,792,243</b>	<b>2,082,721</b>	<b>416,554</b>	<b>1,790,083</b>	<b>18,081,601</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	6,687,607	0	0	64,104	6,751,711
Special	1,603,226	0	0	268,572	1,871,798
Vocational	0	0	0	5,811	5,811
<b>Support Services:</b>					
Pupil	858,993	0	0	67,411	926,404
Instructional Staff	478,328	0	0	317,911	796,239
General Administration	30,772	0	0	0	30,772
School Administration	949,875	0	0	0	949,875
Fiscal	306,518	11,537	0	0	318,055
Business	107,244	0	0	0	107,244
Operations and Maintenance	1,120,714	0	0	46,888	1,167,602
Pupil Transportation	843,247	0	0	0	843,247
Central	227,221	0	0	26,909	254,130
Operation of Non-Instructional Services	2,869	0	0	1,033,470	1,036,339
Extracurricular Activities	338,259	0	0	207,897	546,156
Capital Outlay	0	0	6,219,978	9,528	6,229,506
<b>Debt Service:</b>					
Principal Retirement	45,941	338,937	0	0	384,878
Interest and Fiscal Charges	8,071	1,023,309	0	0	1,031,380
<b>Total Expenditures</b>	<b>13,608,885</b>	<b>1,373,783</b>	<b>6,219,978</b>	<b>2,048,501</b>	<b>23,251,147</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>183,358</b>	<b>708,938</b>	<b>(5,803,424)</b>	<b>(258,418)</b>	<b>(5,169,546)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	13,980	0	0	0	13,980
Proceeds of Long-Term Capital-Related Debt	0	28,000,000	0	0	28,000,000
Transfers In	0	19,648	28,000,000	26,000	28,045,648
Transfers (Out)	(45,648)	(28,000,000)	0	0	(28,045,648)
<b>Total Other Financing Sources (Uses)</b>	<b>(31,668)</b>	<b>19,648</b>	<b>28,000,000</b>	<b>26,000</b>	<b>28,013,980</b>
<b>Net Change in Fund Balance</b>	<b>151,690</b>	<b>728,586</b>	<b>22,196,576</b>	<b>(232,418)</b>	<b>22,844,434</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>4,969,577</b>	<b>611,729</b>	<b>(688,474)</b>	<b>470,022</b>	<b>5,362,854</b>
<b>Fund Balance End of Year</b>	<b>\$5,121,267</b>	<b>\$1,340,315</b>	<b>\$21,508,102</b>	<b>\$237,604</b>	<b>\$28,207,288</b>

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, 2005

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Net Change in Fund Balance - Total Governmental Funds \$22,844,434

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	6,176,068	
Depreciation Expense	<u>(283,288)</u>	5,892,780

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

Delinquent Property Taxes	30,348	
Intergovernmental	<u>28,046</u>	58,394

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 384,878

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. (113,022)

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.

Compensated Absences	<u>99,883</u>	99,883
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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. (28,000,000)

Change in Net Assets of Governmental Activities \$1,167,347

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$250	\$32,451
Total Assets	250	\$32,451
Liabilities:		
Accounts Payable	0	1,172
Other Liabilities	0	31,279
Total Liabilities	0	\$32,451
Net Assets:		
Held in Trust	250	
Total Net Assets	\$250	

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2005

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	Private Purpose Trust
Additions:	
Donations	\$500
Total Additions	500
Deductions:	
Scholarships	1,000
Total Deductions	1,000
Change in Net Assets	(500)
Net Assets Beginning of Year	750
Net Assets End of Year	\$250

See accompanying notes to the basic financial statements.

**MADEIRA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2005**

**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 52 non-certificated personnel and 119 certificated full time teaching and 7 administrative personnel to provide services to students and other community members.

The District is the 2<sup>nd</sup> smallest in Hamilton County in terms of enrollment. It currently operates 1 elementary school (grades K-4), 1 middle school (grades 5-7), 1 junior/senior high school (grades 8-12).

**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 most significant of the District's accounting policies are described below.

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

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.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

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.

## **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, 2005, but which were levied to finance fiscal year 2006 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.

#### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

#### 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.

### **EQUITY IN POOLED CASH AND INVESTMENTS**

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.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$104,743.

## **INVENTORY**

Inventories are presented at cost on a first-in, first-out basis and are expended/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 capital 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>	<u>Governmental Activities 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. Compensated absences are reported in governmental funds only if they have matured.

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
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<b>Sick Leave</b>			
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)
<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
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.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities.

## **INTERFUND ASSETS/LIABILITIES**

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

## **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 tax advances. 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.

## **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.

### **3. EQUITY IN POOLED CASH AND INVESTMENTS**

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) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (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.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, \$2,068,876 of the District's bank balance of \$2,168,876 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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.

## Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Money Market	\$2,670	0.00
Commercial Paper	250,000	0.36
Federal Agency Bonds	<u>26,123,799</u>	<u>0.60</u>
Total Fair Value	<u>\$26,376,469</u>	
Portfolio Weighted Average Maturity		0.60

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Agency Bonds and in Commercial Paper were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investment Service.

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested more than 99% of the District's investments in Federal Agencies (bonds).



Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

#### 4. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, 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 ever 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). 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 2005, 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, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005. 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, 2005, was \$3,380,000 for General Fund and \$790,000 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 2005 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 2005 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$237,680,530
Public Utility Personal	4,807,640
Tangible Personal Property	<u>4,113,260</u>
Total	<u>\$246,601,430</u>

## 5. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes and intergovernmental grants. 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.

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$963,381	\$0	\$0	\$963,381
Construction in Progress	232,545	6,110,906	0	6,343,451
Total Capital Assets, not being depreciated	1,195,926	6,110,906	0	7,306,832
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,783,463	0	0	6,783,463
Equipment	2,031,404	65,162	0	2,096,566
<i>Total Capital Assets, being depreciated:</i>	<u>8,814,867</u>	<u>65,162</u>	<u>0</u>	<u>8,880,029</u>
Totals at Historical Cost	<u>10,010,793</u>	<u>6,176,068</u>	<u>0</u>	<u>16,186,861</u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,420,307	138,336	0	3,558,643
Equipment	1,363,519	144,952	0	1,508,471
Total Accumulated Depreciation	<u>4,783,826</u>	<u>283,288</u>	<u>0</u>	<u>5,067,114</u>
Governmental Activities Capital Assets, Net	<u>\$5,226,967</u>	<u>\$5,892,780</u>	<u>\$0</u>	<u>\$11,119,747</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$203,226
Special	5,489
Other Instruction	6,394
Support Services:	
Pupil	1,040
Instructional Staff	6,425
School Administration	9,728
Fiscal	915
Business	7,803
Operations and Maintenance	15,498
Pupil Transportation	71
Central	13,930
Operation of Non-Instructional Services	3,876
Extracurricular Activities	8,893
Total Depreciation Expense	\$283,288

## 7. 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%-5.00%	04/28/04	10/12/04	\$28,000,000	\$0	\$28,000,000	\$0

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.

## 8. 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>						
<u>General Obligation Bonds and Notes:</u>						
School Improvement 1997 5.75%	12/01/16	\$4,795,000	\$ 0	\$320,000	\$4,475,000	\$335,000
Energy Conservation Note 2000 5.00%	6/30/05	18,937	0	18,937	0	0
Note Payable	9/30/08	245,325	0	45,941	199,384	47,452
School Improvement - Current Interest Bonds 2005 2.00%-5.00%	12/1/33	0	27,635,000	0	27,635,000	5,000
Capital Appreciation 2005 4.10%	12/1/15	0	365,000	0	365,000	0
Total General Obligation Bonds and Notes		5,059,262	28,000,000	384,878	32,674,384	387,452
Compensated Absences		372,069	60,759	55,302	377,526	184,393
Total Governmental Activities Long-Term Liabilities		<u>\$5,431,331</u>	<u>\$28,060,759</u>	<u>\$440,180</u>	<u>\$33,051,910</u>	<u>\$571,845</u>

General obligation bonds and notes will be paid from the general and debt service funds. 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:

Fiscal Year Ending June 30	<u>General Obligation Bonds and Notes</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$387,452	\$2,180,766	\$2,568,218	\$0	\$0	\$0
2007	709,024	1,607,655	2,316,679	0	0	0
2008	750,626	1,586,401	2,337,027	0	0	0
2009	782,282	1,561,915	2,344,197	0	0	0
2010	775,000	1,527,720	2,302,720	0	0	0
2011-2015	3,280,000	8,009,881	11,289,881	1,220,000	0	1,220,000
2016-2020	4,175,000	6,216,550	10,391,550	0	0	0
2021-2025	6,485,000	4,760,475	11,245,475	0	0	0
2026-2030	8,580,000	2,930,750	11,510,750	0	0	0
2031-2033	6,385,000	650,000	7,035,000	0	0	0
Total	<u>\$32,309,384</u>	<u>\$31,032,113</u>	<u>\$63,341,497</u>	<u>\$1,220,000</u>	<u>\$0</u>	<u>\$1,220,000</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, 2005, 2004, and 2003 were \$263,808, \$238,032, and \$229,740 respectively; 38% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

### **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, 2005, 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. 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, 2005, 2004, and 2003 were \$1,052,268, \$984,180, and \$885,636 respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

## **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 \$75,162 during the 2005 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, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

For 2005 fiscal year, employer contributions to fund health care benefits were 3.43% 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 2005, the minimum pay has been established at \$27,400. 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 \$64,633 during the 2005 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. At June 30, 2005 SERS had net assets available for payment of health care benefits of \$300.8 million.

## **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, 2005.

### **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 2005, 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 \$1,000 deductible. General liability is provided by Indiana Insurance Company with \$1,000,000 each occurrence \$2,000,000 aggregate limit. Vehicles are covered by Indiana Insurance Company with a \$1,000 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. 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:	
Title II Eisenhower	\$10,373
Assistive Technology Grant	14,517
Special Enterprise	43,860

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. Failure to properly certify funds could result in overspending funds.

Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year end, the District had disbursements exceeding appropriations in the following funds:

General	\$32,077
Building	13,201,578
Latchkey	7,381
Athletics	5,131
Data Communications	14,555
Title I	1,696
Title V	787
Drug Free Schools	91

Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. During the year, the District had disbursements exceeding appropriations in the following funds:

Building	\$577,989
MIS	1,190
Preschool Handicapped	1,742

## 16. 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, 2004	(\$92,206)	\$ 0
Current Year Set-aside Requirement	211,450	211,450
Qualified Disbursements	(209,864)	(352,213)
Current Year Offsets	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>(\$90,620)</u>	<u>\$ 0</u>
Restricted Cash as of June 30, 2005	<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 \$352,213, which exceeded the required set-aside and reserve balance. Qualifying disbursements for textbook reserve during the year and carried over from last year were \$297,986, which exceeded the required set aside and \$90,620 may be carried forward to use in future years. Senate Bill 345 eliminated the Budget Stabilization Reserve.

## 17. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, consisted of the following funds for transfers in and out:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$45,648
Debt Service Fund	19,648	28,000,000
Building Fund	28,000,000	0
Other Governmental Funds	<u>26,000</u>	<u>0</u>
Total All Funds	<u>\$28,045,648</u>	<u>\$28,045,648</u>

\$28,000,000 was transferred out of the Debt Service Fund into the Building Fund to retire the Bond Anticipation (short-term) Note previously recorded as a liability in the Building Fund.

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.

## 18. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

For 2005, the District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the General and Other Governmental Funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Other Governmental Funds</u>
Fund Balances, June 30, 2004	\$5,031,293	\$490,698
GASB Technical Bulletin No. 2004-2	<u>(61,716)</u>	<u>(20,676)</u>
Restated Fund Balance, June 30, 2004	<u>\$4,969,577</u>	<u>\$470,022</u>

## 19. CONSTRUCTION COMMITMENTS

As of June 30, 2005, the District had the following commitment with respects to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>
Buildings and Improvements	\$21,656,549

**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, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$8,149,498	\$8,149,498	\$8,153,787	\$4,289
Tuition and Fees	3,389	3,389	3,391	2
Investment Earnings	104,688	104,688	104,743	55
Intergovernmental	4,020,114	4,020,114	4,022,230	2,116
Extracurricular Activities	40,278	40,278	40,299	21
Other Revenues	30,629	30,629	30,645	16
<b>Total Revenues</b>	<b>12,348,596</b>	<b>12,348,596</b>	<b>12,355,095</b>	<b>6,499</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,537,904	6,528,016	6,543,488	(15,472)
Special	1,604,224	1,601,798	1,605,594	(3,796)
<b>Support Services:</b>				
Pupil	817,335	816,099	818,033	(1,934)
Instructional Staff	472,794	472,079	473,198	(1,119)
General Administration	30,746	30,699	30,772	(73)
School Administration	989,831	988,334	990,676	(2,342)
Fiscal	306,266	305,803	306,528	(725)
Business	106,966	106,804	107,057	(253)
Operations and Maintenance	1,133,349	1,131,635	1,134,317	(2,682)
Pupil Transportation	842,527	841,253	843,247	(1,994)
Central	233,310	232,957	233,509	(552)
Operation of Non-Instructional Services	41,500	41,437	41,535	(98)
Extracurricular Activities	338,574	338,062	338,863	(801)
<b>Debt Service:</b>				
Principal Retirement	45,941	45,941	45,941	0
Interest and Fiscal Charges	8,025	7,943	8,071	(128)
<b>Total Expenditures</b>	<b>13,509,292</b>	<b>13,488,860</b>	<b>13,520,829</b>	<b>(31,969)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,160,696)</b>	<b>(1,140,264)</b>	<b>(1,165,734)</b>	<b>(25,470)</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	13,973	13,973	13,980	7
Transfers (Out)	(45,609)	(45,540)	(45,648)	(108)
<b>Total Other Financing Sources (Uses)</b>	<b>(31,636)</b>	<b>(31,567)</b>	<b>(31,668)</b>	<b>(101)</b>
<b>Net Change in Fund Balance</b>	<b>(1,192,332)</b>	<b>(1,171,831)</b>	<b>(1,197,402)</b>	<b>(25,571)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>4,943,759</b>	<b>4,943,759</b>	<b>4,943,759</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$3,751,427</b>	<b>\$3,771,928</b>	<b>\$3,746,357</b>	<b>(\$25,571)</b>

See accompanying notes to the required supplementary information.

**MADEIRA CITY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2005**

**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 2005.

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	\$151,690
Net Adjustment for Revenue Accruals	(1,437,148)
Net Adjustment for Expenditure Accruals	126,090
Encumbrances	<u>(38,034)</u>
Budget Basis	<u>(\$1,197,402)</u>



**MADEIRA CITY SCHOOL DISTRICT**

**Yellow Book Reports**

**June 30, 2005**

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December 16, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Madeira City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madeira City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2005 in which we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Internal Control Over Financial Reporting

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-1 and 2005-2.

This report is intended solely for the information and use of the audit committee, management, the Auditor of State and the Board of Education 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, 2005**

**Finding Number 2005-001**

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. During the year certain expenditures were not properly encumbered prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.

Recommendation

We recommend that the District comply with the Ohio Revised Code by reviewing invoices and ensuring that all expenditures have a purchase order prior to making a purchase.

Management's Comments/Response

The District is reviewing expenditures and requiring purchase orders for District purchases.

**Finding Number 2005-002**

Non Compliance Citation

Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year end, the District had disbursements exceeding appropriations in the following funds:

General	\$32,077
Building	13,201,578
Latchkey	7,381
Athletics	5,131
Data Communications	14,555
Title I	1,696
Title V	787
Drug Free Schools	91

Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. During the year, the District had disbursements exceeding appropriations in the following funds:

Building	\$577,989
MIS	1,190
Preschool Handicapped	1,742

Recommendation

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

Management's Comments/Response

The District will monitor expenditures and modify them as needed during the fiscal year.



**Auditor of State  
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  
MARCH 28, 2006**