

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
**SINGLE AUDIT**  
**JULY 1, 2006 - JUNE 30, 2007**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Groveport Madison Local School District, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 7, 2008

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Groveport Madison Local School District, Franklin County, Ohio (the District) as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides 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 Groveport Madison Local School District, Franklin County, Ohio as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 16, the District restated fund balances and net assets to properly account for due to other government liabilities, taxes receivable, and deferred revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

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Groveport Madison Local School District  
Franklin County  
Independent Auditors' Report

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

*Wilson, Shannon E. Shaw, Inc.*

Newark, Ohio  
February 15, 2008

GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED

As management of the Groveport Madison Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$13.1 million (net assets). The District's net assets increased \$4.1 million during the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3.9 million, an increase of \$4.4 million from the prior fiscal year.
- The District's total long-term liabilities decreased by \$0.7 million during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

All activities of the District are accounted for as governmental activities. These activities include instruction, support services, community services and co-curricular activities.

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

The government-wide financial statements can be found on pages 12-13 of this report.

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



GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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

The District maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Bond Retirement, and Permanent Improvement Funds, each of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 14-18 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used in the private sector.

The basic fiduciary fund financial statements can be found on page 19 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on page 20 of this report.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$13.1 million at the close of the current fiscal year.

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

A comparative analysis of fiscal year 2007 to 2006 follows for the Statement of Net Assets:

Governmental Activities			
	2007	Restated 2006	Percent Change
Current Assets	\$ 25,634,125	\$ 32,417,754	-20.9%
Capital Assets	11,060,303	11,402,741	-3.0%
<b>Total Assets</b>	<b><u>36,694,428</u></b>	<b><u>43,820,495</u></b>	<b><u>-16.3%</u></b>
Current Liabilities	19,839,951	30,390,407	-34.7%
Long-term Liabilities	3,718,064	4,400,573	-15.5%
<b>Total Liabilities</b>	<b><u>23,558,015</u></b>	<b><u>34,790,980</u></b>	<b><u>-32.3%</u></b>
Invested in Capital Assets, net of related debt	10,330,303	10,547,741	-2.1%
Restricted	2,033,643	977,462	108.1%
Unrestricted	772,467	(2,495,688)	131.0%
<b>Total Net Assets</b>	<b><u>\$ 13,136,413</u></b>	<b><u>\$ 9,029,515</u></b>	<b><u>45.5%</u></b>

At June 30, 2006, taxes receivable and deferred revenue were overstated \$5.8 million as a result of an accounting error in the calculation of property tax advances.

The decrease in capital assets and corresponding decrease in Invested in Capital Assets, net of related debt, is the amount by which current year depreciation exceeded capital outlays.

The change in Current Liabilities is the result of decreases in Notes Payable (\$1.5 million) and Deferred Revenue (\$8.8 million). The Deferred Revenue decrease is a result of the error noted above, and the phase out of personal property taxes. The Notes Payable decrease is due to the pay off of the tax anticipation note during fiscal year 2007.

The District's net assets increased \$4.1 million, or 45.5%, in fiscal year 2007.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
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A comparative analysis of fiscal year 2007 to 2006 follows for the Changes in Net Assets:

Governmental Activities			
	2007	Restated 2006	Percent Change
<b>Program Revenues</b>			
Charges for Services	\$ 1,879,605	\$ 1,740,078	8.0%
Operating Grants	7,709,095	6,626,665	16.3%
<b>General Revenues</b>			
Taxes	29,440,878	26,420,391	11.4%
Grants and Entitlements	25,750,437	23,826,845	8.1%
Investment Earnings	335,770	290,497	15.6%
Sale of Land	196,328	-	100.0%
Miscellaneous	83,306	82,321	1.2%
<b>Total Revenues</b>	65,395,419	58,986,797	10.9%
<b>Program Expenses</b>			
Instructional	36,695,531	35,923,938	2.1%
Support Services	21,501,116	22,147,758	-2.9%
Co-Curricular Activities	540,734	736,442	-26.6%
Noninstructional Services	2,496,116	2,587,478	3.5%
Interest and Fiscal Charges	55,024	94,054	-41.5%
<b>Total Expenses</b>	61,288,521	61,489,670	-0.3%
<b>Change in Net Assets</b>	4,106,898	(2,502,873)	-264.1%
<b>Net Assets at beginning of year</b>	9,029,515	11,532,388	-21.7%
<b>Net Assets at end of year</b>	\$ 13,136,413	\$ 9,029,515	45.5%

The change in operating grants by \$1.1 is due to the increase in amount of grants from the Department of Education.

Tax revenue increased by \$3.0 million which is a result of the increase of property tax assessments in past periods.

As the comparative analysis above highlights, there was a slight decrease in total expenses (0.3%) in fiscal year 2007.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION & ANALYSIS  
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The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the costs of program services and the net cost of those services after taking into account program revenues. General revenues including tax revenue, unrestricted State entitlements and investment earnings must support the net cost of program services.

A comparative analysis of fiscal year 2007 to 2006 follows:

	Total Cost of Services 2007	Restated Total Cost of Services 2006	Net Cost of Services 2007	Restated Net Cost of Services 2006
Program expenses				
Instructional	\$ 36,695,531	\$ 35,923,938	\$ 31,292,418	\$ 34,157,953
Support services	21,501,116	22,147,758	19,822,596	20,361,470
Noninstructional Services	2,496,116	2,587,478	125,838	134,725
Co-Curricular Activities	540,734	736,442	403,945	584,824
Interest	55,024	94,054	55,024	94,054
	<u>61,288,521</u>	<u>61,489,670</u>	<u>51,699,821</u>	<u>55,333,026</u>
Total	<u>\$ 61,288,521</u>	<u>\$ 61,489,670</u>	<u>\$ 51,699,821</u>	<u>\$ 55,333,026</u>

General revenues, consisting primarily of local property taxes and unrestricted state entitlements, comprise 84.4% of the District's total governmental activities revenue. The net cost of services column highlights the District's reliance upon general revenues reflecting the need for \$51.7 million of support.

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

GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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**Financial Analysis of the District's Funds**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3.9 million, an increase of \$4.4 million from the prior fiscal year.

The schedule below indicates the fund balance and the total change in fund balance for June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Restated Fund Balance June 30, 2006	Increase
General Fund	\$ 1,755,919	\$ (1,515,053)	\$ 3,270,972
Bond Retirement Fund	10,603	10,603	-
Permanent Improvement Fund	951,809	522,498	429,311
Other Governmental Funds	1,164,444	511,509	652,935
Total	<u>\$ 3,882,775</u>	<u>\$ (470,443)</u>	<u>\$ 4,353,218</u>

*General Fund*

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was negative \$8.3 million, while total fund balance was \$1.8 million. As noted above, the General Fund balance increased significantly during the current fiscal year.

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

	Revenues		
	Fiscal Year 2007	Fiscal Year 2006	Percent Change
Taxes	\$ 28,938,784	\$ 25,800,369	12.2%
Intergovernmental	28,189,276	26,036,944	8.3%
Investment Income	335,770	290,497	15.6%
Tuition and Fees	732,448	408,163	79.4%
Other	75,076	44,735	67.8%
Total	<u>\$ 58,271,354</u>	<u>\$ 52,580,708</u>	<u>10.8%</u>

GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION & ANALYSIS  
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	Expenditures		
	Fiscal Year 2007	Restated Fiscal Year 2006	Percent Change
Instruction	\$ 35,241,794	\$ 34,415,675	2.40%
Support Services	19,389,892	18,980,086	2.16%
Noninstructional Services	195,633	198,149	-1.27%
Co-curricular Activities	396,005	514,118	-22.97%
Debt Service	16,588	49,676	-66.61%
Transfers	-	2,190	-100.00%
Total	<u>\$ 55,239,912</u>	<u>\$ 54,159,894</u>	<u>1.99%</u>

As noted in the tables above, the individually significant expenditures of the General Fund remained fairly consistent from fiscal year 2006 to fiscal year 2007; however, the total revenues increased in total by 10.8%. The increase in tax revenue by \$3.1 million is a result of the increase of property tax assessments in past fiscal years.

*Bond Retirement Fund*

The District's Bond Retirement Fund balance remained intact during fiscal year 2007 as property tax receipts equaled the current year debt service expenditures.

*Permanent Improvement Fund*

The District's Permanent Improvement Fund balance increased \$429,311 during the current period. This is the amount by which property tax receipts and income tax receipts generated from an income tax sharing agreement with the Village of Groveport exceeded the operation and maintenance expenditures of the fund.

**General Fund Budget Information**

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

The District's final estimated resources exceeded the original estimate by \$7.1 million, or 14.8%. The variance between the District's final estimated resources and actual revenues was zero.

The District's final appropriations exceeded original appropriations by \$13.3 million, or 30.5%. The variance between the District's final appropriations and actual budgetary expenditures was negative \$1.

**Capital Assets**

At fiscal year-end, the District has \$11.1 million in capital assets, net of accumulated depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
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**Debt**

At fiscal year-end 2007, the District had \$730,000 in outstanding energy conservation notes. The District also paid off \$1,508,000 in outstanding tax anticipation notes. During the fiscal year, the District paid \$1,633,000 in notes outstanding and \$55,024 in interest. Detailed information regarding general long-term obligations is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2007, the District's general obligation debt was below the legal limit.

**Current Issues**

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

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

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

**Contacting the District's Financial Management**

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

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**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007**

	Governmental Activities
<b>Assets</b>	
Cash and Investments	\$ 6,477,748
Restricted Cash and Investments	960,887
Receivables:	
Taxes	17,797,862
Accounts	53,511
Due From Other Governments	344,117
Nondepreciable Capital Assets	1,521,786
Depreciable Capital Assets, Net	9,538,517
<b>Total Assets</b>	<b>36,694,428</b>
<b>Liabilities</b>	
Accounts Payable	1,612,099
Accrued Wages and Benefits	4,983,707
Due to Other Governments	772,482
Unearned Revenue	12,471,663
Long-Term Liabilities:	
Due within One Year	618,323
Due in More Than One Year	3,099,741
<b>Total Liabilities</b>	<b>23,558,015</b>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	10,330,303
Restricted for:	
Debt Service	10,603
Capital Projects	951,809
Locally Funded Programs	137,682
State Funded Programs	730,527
Federally Funded Programs	80,847
Other Purposes	122,175
Unrestricted	772,467
<b>Total Net Assets</b>	<b>\$ 13,136,413</b>

**See accompanying notes to the basic financial statements**

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services/Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 27,123,988	\$ 622,112	\$ 1,051,710	\$ (25,450,166)
Special	8,792,947	129,624	3,136,414	(5,526,909)
Vocational	444,136	-	-	(444,136)
Other Instruction	334,460	-	463,253	128,793
Support Services				
Pupils	2,601,593	-	102,993	(2,498,600)
Instructional Staff	1,652,339	-	89,049	(1,563,290)
Board of Education	1,334,007	-	-	(1,334,007)
Administration	3,616,543	98,745	305,510	(3,212,288)
Fiscal Services	990,108	-	-	(990,108)
Business Operations	136,148	-	-	(136,148)
Maintenance	4,190,507	44,444	-	(4,146,063)
Pupil Transportation	6,504,893	-	1,018,406	(5,486,487)
Central	474,978	-	19,373	(455,605)
Noninstructional Services	2,496,116	847,891	1,522,387	(125,838)
Co-Curricular Activities	540,734	136,789	-	(403,945)
Interest and Fiscal Charges	55,024	-	-	(55,024)
<b>Total Governmental Activities</b>	<b>\$ 61,288,521</b>	<b>\$ 1,879,605</b>	<b>\$ 7,709,095</b>	<b>(51,699,821)</b>
General Revenues:				
				29,440,878
				25,750,437
				335,770
				196,328
				83,306
				55,806,719
Change in Net Assets				4,106,898
				9,029,515
				\$ 13,136,413

**See accompanying notes to the basic financial statements**

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Investments	\$ 4,303,346	\$ 10,603	\$ 954,583	\$ 1,209,216	\$ 6,477,748
Restricted Cash and Investments	960,887	-	-	-	960,887
Receivables:					
Taxes	17,210,937	167,131	419,794	-	17,797,862
Accounts	40,895	-	-	12,616	53,511
Due From Other Governments	-	-	-	344,117	344,117
<b>Total Assets</b>	<b><u>\$ 22,516,065</u></b>	<b><u>\$ 177,734</u></b>	<b><u>\$ 1,374,377</u></b>	<b><u>\$ 1,565,949</u></b>	<b><u>\$ 25,634,125</u></b>
<b>Liabilities:</b>					
Accounts Payable	\$ 1,587,246	\$ -	\$ 2,774	\$ 22,079	\$ 1,612,099
Accrued Wages and Benefits Payable	4,651,151	-	-	332,556	4,983,707
Due To Other Governments	725,612	-	-	46,870	772,482
Deferred Revenue	13,571,721	167,131	419,794	-	14,158,646
Compensated Absences Payable	224,416	-	-	-	224,416
<b>Total Liabilities</b>	<b><u>20,760,146</u></b>	<b><u>167,131</u></b>	<b><u>422,568</u></b>	<b><u>401,505</u></b>	<b><u>21,751,350</u></b>
<b>Fund Balances:</b>					
Reserved					
Encumbrances	3,095	-	250,637	113,038	366,770
Textbooks	814,141	-	-	-	814,141
Bus Purchases	146,746	-	-	-	146,746
Property Taxes	9,139,216	-	-	-	9,139,216
Unreserved, Reported in:					
General Fund	(8,347,279)	-	-	-	(8,347,279)
Debt Service Fund	-	10,603	-	-	10,603
Special Revenue Funds	-	-	-	1,051,406	1,051,406
Capital Project Funds	-	-	701,172	-	701,172
<b>Total Fund Balances</b>	<b><u>1,755,919</u></b>	<b><u>10,603</u></b>	<b><u>951,809</u></b>	<b><u>1,164,444</u></b>	<b><u>3,882,775</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 22,516,065</u></b>	<b><u>\$ 177,734</u></b>	<b><u>\$ 1,374,377</u></b>	<b><u>\$ 1,565,949</u></b>	<b><u>\$ 25,634,125</u></b>

**See accompanying notes to the basic financial statements**

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2007**

**Total Governmental Fund Balances** \$ 3,882,775

*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. 11,060,303

Other long-term assets are not available to pay for current period  
expenditures and therefore are deferred in the funds. 1,686,983

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

Special Termination Benefits	(92,533)	
Compensated Absences	(2,671,115)	
Energy Conservation Note	<u>(730,000)</u>	
Total		<u>(3,493,648)</u>

**Net Assets of Governmental Activities** \$ 13,136,413

**See accompanying notes to the basic financial statements**

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 28,938,784	\$ 163,436	\$ 798,506	\$ -	\$ 29,900,726
Intergovernmental	28,189,276	-	-	5,342,270	33,531,546
Investment Income	335,770	-	-	-	335,770
Co-curricular Activities	-	-	-	153,824	153,824
Tuition Fees	732,448	-	-	177,678	910,126
Charges for Services	-	-	-	691,388	691,388
Donations	-	-	44,444	-	44,444
Other	75,076	-	-	80,108	155,184
Total Revenues	<u>58,271,354</u>	<u>163,436</u>	<u>842,950</u>	<u>6,445,268</u>	<u>65,723,008</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	26,655,587	-	7,650	723,200	27,386,437
Special	7,981,277	-	-	805,255	8,786,532
Vocational	438,703	-	-	-	438,703
Other	166,227	-	-	168,233	334,460
Support services:					
Pupils	2,640,043	-	-	99,539	2,739,582
Instructional Staff	1,571,843	-	-	94,346	1,666,189
Board of Education	1,334,007	-	-	-	1,334,007
School Administration	3,208,751	-	-	428,171	3,636,922
Fiscal Services	952,847	-	-	30,000	982,847
Business Operations	136,148	-	-	-	136,148
Operation and Maintenance of Plant	3,797,744	-	405,989	-	4,203,733
Pupil Transportation	5,318,735	-	-	998,533	6,317,268
Central Services	429,774	-	-	43,487	473,261
Noninstructional Services	195,633	-	-	2,299,631	2,495,264
Co-curricular Activities	396,005	-	-	101,938	497,943
Debt service:					
Principal Retirement	-	125,000	-	-	125,000
Interest and Fiscal Charges	16,588	38,436	-	-	55,024
Total Expenditures	<u>55,239,912</u>	<u>163,436</u>	<u>413,639</u>	<u>5,792,333</u>	<u>61,609,320</u>
Excess of Revenues Over Expenditures	<u>3,031,442</u>	<u>-</u>	<u>429,311</u>	<u>652,935</u>	<u>4,113,688</u>
<b>Other Financing Sources:</b>					
Sale of Land	196,328	-	-	-	196,328
Other Financing Sources	43,202	-	-	-	43,202
Total other financing sources	<u>239,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,530</u>
Net Change in Fund Balances	3,270,972	-	429,311	652,935	4,353,218
Fund Balances at Beginning of Year, Restated	(1,515,053)	10,603	522,498	511,509	(470,443)
Fund Balances at End of Year	<u>\$ 1,755,919</u>	<u>\$ 10,603</u>	<u>\$ 951,809</u>	<u>\$ 1,164,444</u>	<u>\$ 3,882,775</u>

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 4,353,218
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(336,935)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.	(5,503)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(561,616)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the net effect of these differences in the treatment of long-term debt and related items.	125,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Compensated Absences	<u>532,734</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 4,106,898</u></u>

**See accompanying notes to the basic financial statements**

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 20,285,134	\$ 25,675,845	\$ 25,675,845	\$ -
Intergovernmental	26,834,958	28,192,629	28,192,629	-
Interest	282,000	300,777	300,777	-
Tuition	409,900	441,336	441,336	-
Other	49,800	80,714	80,714	-
<b>Total Revenues</b>	<u>47,861,792</u>	<u>54,691,301</u>	<u>54,691,301</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	20,591,329	26,700,826	26,700,826	-
Special	6,074,121	8,258,450	8,258,451	(1)
Vocational	357,048	447,540	447,540	-
Other	138,278	166,227	166,227	-
<b>Support Services:</b>				
Pupils	1,954,211	2,577,637	2,577,637	-
Instructional Staff	1,334,408	1,602,832	1,602,832	-
Board of Education	733,942	1,351,655	1,351,655	-
Administration	2,867,120	3,385,667	3,385,667	-
Fiscal	524,247	948,318	948,318	-
Business	85,538	124,850	124,850	-
Operations and Maintenance	3,356,590	3,968,517	3,968,517	-
Pupil Transportation	3,477,416	5,002,247	5,002,248	(1)
Central	345,468	448,518	448,518	-
Community Services	2,816	202,607	202,607	-
Co-Curricular Activities	423,202	423,584	423,583	1
<b>Debt Service:</b>				
Principal Retirement	1,508,000	1,508,000	1,508,000	-
Interest and Fiscal Charges	16,588	16,588	16,588	-
<b>Total Expenditures</b>	<u>43,790,322</u>	<u>57,134,063</u>	<u>57,134,064</u>	<u>(1)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>4,071,470</u>	<u>(2,442,762)</u>	<u>(2,442,763)</u>	<u>(1)</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Land	-	196,328	196,328	-
Refund of Prior Year Expenditures	200,000	302,182	302,182	-
Advances - Out	(1,752)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>198,248</u>	<u>498,510</u>	<u>498,510</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	4,269,718	(1,944,252)	(1,944,253)	(1)
Fund Balance, Beginning of Year	6,694,635	6,694,635	6,694,635	-
Prior Year Encumbrances Appropriated	301,730	301,730	301,730	-
<b>Fund Balance, End of Year</b>	<u>\$ 11,266,083</u>	<u>\$ 5,052,113</u>	<u>\$ 5,052,112</u>	<u>\$ (1)</u>

See accompanying notes to the basic financial statements

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2007**

	Private-Purpose Trust	Agency
<b>Assets:</b>		
Cash and Investments	\$ 112,372	\$ 62,077
Total Assets	112,372	62,077
<b>Liabilities:</b>		
Accounts Payable	-	90
Due To Students	-	60,987
Due To Others	-	1,000
Total Liabilities	-	\$ 62,077
Net Assets	\$ 112,372	

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Private-Purpose Trust
<b>Additions</b>	
Investment Income	\$ 5,129
Other Revenue	500
Total Additions	5,629
<b>Deductions</b>	
Scholarships Awarded	(3,800)
Change in Net Assets	1,829
Net Assets, Beginning of Year	110,543
Net Assets, End of Year	\$ 112,372

**See accompanying notes to the basic financial statements**



**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 1 – REPORTING ENTITY**

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

The Board controls the District's 10 instructional/support facilities staffed by 176 non-certificated personnel and 416 certificated full time personnel who provide services to 5,998 students and other community members.

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

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

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

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

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

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

*Groveport Community School* – The community school began operations in September 2006 and is affiliated with Imagine Schools, a national operator of nonprofit public charter schools. The District is not involved in the budgeting or management of the community school and is not responsible for any debt nor has influence over the community school's operations.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)**

**NOTE 1 – REPORTING ENTITY (Continued)**

**Jointly Governed Organizations**

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

The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. MEC also provides a variety of services through its data processing center to thirty-one member districts (“C” sites) in the Ohio counties of Fairfield, Franklin, Madison, Pickaway, and Union, with the major emphasis being placed on fiscal services. MEC also provides services to the District including pupil scheduling attendance reporting, and grade reporting. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. MEC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for MEC. Financial statements for MEC can be obtained from the Metropolitan Educational Council at 2100 City Gate Drive, Columbus, Ohio 43219. The amount paid to MEC during the fiscal year was \$386,102.

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

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

**Group Purchasing Pool**

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

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The 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.

**(a) Fund Accounting**

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

**Governmental Funds**

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

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

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

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

**Proprietary Funds**

The District reports no proprietary funds.

**Fiduciary Funds**

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

**(b) Basis of Presentation**

*Government-wide Financial Statements* – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

*Fund Financial Statements*

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**(c) Basis of Accounting**

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

*Revenue Exchange and Non-exchange Transactions*

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tuition, grants and student fees.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Unearned Revenue*

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

*Expenditures/Expenses*

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

**(d) Budgetary Process**

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

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

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Cash and Investments**

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to \$335,770.

**(f) Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At fiscal year-end, because prepaid items are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset. The District did not report any significant prepaid items at June 30, 2007.

**(g) Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased. The District did not report any significant inventory at June 30, 2007.

**(h) Capital Assets and Depreciation**

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

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**(i) Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. These transfers are eliminated from the statement of activities. There were no transfers reported for 2007.

On fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net assets. There were no short-term interfund loans outstanding at fiscal year end 2007.

**(j) Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had restricted assets at fiscal year-end for the textbooks and bus purchases.

**(k) Accrued Liabilities and Long-Term Obligations**

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

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

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Net Assets**

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At fiscal year-end, none of the District's net asset restrictions were the result of enabling legislation.

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

**(m) Fund Balance Reserves**

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

**(n) Extraordinary and Special Items**

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

**(o) Management Estimates**

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



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**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**Net Change in Fund Balance**

GAAP Basis	\$ 3,270,972
Revenues	(3,321,073)
Expenditures	(1,675,298)
Encumbrances	(218,854)
Budgetary Basis	<u>\$ (1,944,253)</u>

**NOTE 4 – CASH AND INVESTMENTS**

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

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

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**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits**

*Custodial Credit Risk – Deposit* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. At fiscal year end, the District's deposits had a bank balance of \$507,414 and a book balance of \$31,289. Of the District's bank balance, \$407,414 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Investments**

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

Investment Type	Fair Value	Percent of Total	Investment Maturities		
			Within 1 Year	1 to 2 Years	2 to 3 Years
FHLMC Note	\$ 1,195,500	15.77%	\$ -	\$ -	\$ 1,195,500
FHLB Bond	1,017,766	13.42%	-	1,017,766	-
Repurchase Agreement	4,229,872	55.79%	4,229,872	-	-
STAR Ohio	1,052,065	13.88%	1,052,065	-	-
Money Market Funds	86,592	1.14%	86,592	-	-
Total	<u>\$ 7,581,795</u>	<u>100%</u>	<u>\$ 5,368,529</u>	<u>\$ 1,017,766</u>	<u>\$ 1,195,500</u>

*Credit Risk* – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. At fiscal year-end, the District's investment in STAR Ohio was rated AAAM and the District's investments in U.S. Treasuries were rated AAA. The District's investments in money market mutual funds were unrated. Securities underlying the District's repurchase agreement are in a form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government, which are not considered to have credit risk.

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

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

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**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

**Reconciliation of Deposits and Investments to the Statement of Net Assets:** The following is a reconciliation of deposits and investments to the Statement of Net Assets as of June 30, 2007:

Investments (summarized above)	\$ 7,581,795
Carrying Amount of District's Deposits	31,289
Fiduciary Funds - Cash and Investments	(174,449)
Total Cash and Investments - Statement of Net Assets	<u>\$ 7,438,635</u>

**NOTE 5 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while District's fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year and second half tax collections are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received in calendar 2007 (other than public utility property tax) represents the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2006 was 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives its property taxes from Franklin County. The County Auditor periodically advances to the District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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**NOTE 5 – PROPERTY TAXES (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2007, the amount of property taxes that had been advanced, or was available to advance, to the General Fund was \$9,139,216.

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 2007 taxes were collected are:

	<u>2006 Second Half Collections</u>		<u>2007 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 732,485,780	87.19%	\$ 744,592,900	89.78%
Public Utility Personal	36,292,460	4.32%	34,232,190	4.13%
Tangible Personal Property	<u>71,308,084</u>	<u>8.49%</u>	<u>50,505,032</u>	<u>6.09%</u>
Total	<u>\$ 840,086,324</u>	<u>100.00%</u>	<u>\$ 829,330,122</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 56.80		\$ 56.95	

**NOTE 6 – DUE TO/FROM OTHER FUNDS AND TRANSFERS**

**(a) Interfund Advances**

On an as-needed basis, the District's General Fund advances cash to other funds of the District to eliminate cash deficits. Advances are repaid to the General Fund in the following fiscal year. At fiscal year-end, the District had no outstanding advances.

**(b) Interfund Transfers**

The primary purpose of interfund transfers is to provide supplemental funding to co-curricular and state and federal grant program activities. All transfers are allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. During the fiscal year, the District had no interfund transfers.

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**NOTE 7 – CAPITAL ASSETS**

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

***Governmental Activities***

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Nondepreciable Capital Assets</b>				
Land	\$ 1,527,289	\$ -	\$ (5,503)	\$ 1,521,786
Total Nondepreciable Assets	<u>1,527,289</u>	<u>-</u>	<u>(5,503)</u>	<u>1,521,786</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	2,036,296	664,193	-	2,700,489
Buildings	21,987,437	-	-	21,987,437
Furniture and Equipment	9,456,915	99,230	-	9,556,145
Vehicles and Buses	2,080,713	15,976	-	2,096,689
Total Depreciable Assets	<u>35,561,361</u>	<u>779,399</u>	<u>-</u>	<u>36,340,760</u>
<b>Less accumulated depreciation</b>				
Land Improvements	(1,358,183)	(323,484)	-	(1,681,667)
Buildings	(14,959,496)	(363,931)	-	(15,323,427)
Furniture and Equipment	(7,763,845)	(224,265)	-	(7,988,110)
Vehicles and Buses	(1,604,385)	(204,654)	-	(1,809,039)
Total accumulated depreciation	<u>(25,685,909)</u>	<u>(1,116,334)</u>	<u>-</u>	<u>(26,802,243)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>9,875,452</u>	<u>(336,935)</u>	<u>-</u>	<u>9,538,517</u>
Total Capital Assets, Net	<u>\$ 11,402,741</u>	<u>\$ (336,935)</u>	<u>\$ (5,503)</u>	<u>\$ 11,060,303</u>

Depreciation expense was charged to the governmental functions as follows:

Instruction Regular	\$ 35,260
Instruction Special	7,031
Instruction Vocational	3,356
Pupils	124
Instructional staff	33,510
School Administration	34,628
Fiscal Services	3,144
Operations and Maintenance	740,347
Pupil Transportation	187,625
Noninstructional Services	21,311
Co-Curricular activities	49,998
Total depreciation expense	<u>\$ 1,116,334</u>

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**NOTE 8 – LONG TERM LIABILITIES**

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2007 is as follows:

<b>Governmental Activities</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2001 Energy Note					
4.65%, matures 12/1/11	\$ 855,000	\$ -	\$ (125,000)	\$ 730,000	\$ 135,000
Compensated Absences	3,374,576	728,728	(1,207,773)	2,895,531	423,324
Special Termination Benefits	170,997	18,000	(96,464)	92,533	59,999
<b>Total</b>	<b>\$ 4,400,573</b>	<b>\$ 746,728</b>	<b>\$(1,429,237)</b>	<b>\$ 3,718,064</b>	<b>\$ 618,323</b>

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

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

Fiscal Year	Principal	Interest	Total
2008	\$ 135,000	\$ 32,131	\$ 167,131
2009	140,000	25,463	165,463
2010	145,000	18,551	163,551
2011	150,000	11,398	161,398
2012	160,000	3,880	163,880
<b>Total</b>	<b>\$ 730,000</b>	<b>\$ 91,423</b>	<b>\$ 821,423</b>

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

The effects of these debt limitations at fiscal year-end are a voted debt margin of \$74,639,711 and an unvoted debt margin of \$829,330. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with various governmental entities. At fiscal year-end, these entities have complied with the requirement that unvoted overlapping debt must not exceed 1% (10 mills) of the assessed property value. Management believes that the District has complied with all bond covenants.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
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**NOTE 9 – SHORT-TERM DEBT**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2003 Tax Anticipation Note 2.20%, matured 12/1/06	\$ 1,508,000	\$ -	\$ (1,508,000)	\$ -

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

**NOTE 10 – RISK MANAGEMENT**

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

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

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

During the fiscal year, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant share equally in the overall performance of the Program. Participation in the Program is limited to districts that can meet the Program's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the Program.

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

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**NOTE 11 – PENSION BENEFITS**

**(a) School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$938,088, \$947,160, and \$802,040, respectively, equal to the required contribution. 91 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The District's unpaid contribution, including the surcharge, totaling \$60,022, has been recorded as a liability in the appropriate funds.

**(b) State Teachers Retirement System**

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

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



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**NOTE 11 – PENSION BENEFITS (Continued)**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year 2006 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2007, 2006, and 2005 were \$3,549,984, \$3,549,816, and \$3,564,276 respectively; 100 percent has been contributed for each fiscal year.

**(c) Social Security System**

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

**(a) School Employees Retirement System**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006 (latest information available), the healthcare allocation is 3.42%. 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 2006 (latest information available), the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (latest information available) were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$133,755,656. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 59,942 as of June 30, 2006 (latest information available).

The portion of the District's fiscal year 2007 contributions that were used to fund postemployment benefits, including the surcharge, was \$308,515.

**(b) State Teachers Retirement System**

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

Under Ohio law, medical costs paid from the funds of the plan are included in the employer contribution rate, currently 14 percent of covered payroll. Of the 14% employer contribution rate, 1% of covered payroll was allocated to postemployment health care. For the District, this amount equaled \$253,570 for fiscal year 2007.

**NOTE 13 – CONTINGENCIES**

**(a) Grants**

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

**(b) State School Funding Decision**

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)**

**NOTE 13 – CONTINGENCIES (Continued)**

**(c) Columbia Gas Transmission Lawsuit**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$33,326 per year. A portion of the refund may be recovered from additional state entitlement payments.

**NOTE 14 – SET ASIDES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the 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 each reserve:

	Textbooks	Capital Acquisition
Set-aside cash balance		
as of June 30, 2006	\$ 168,113	\$ -
Current fiscal year set-aside requirement	900,225	900,225
Current year offsets	-	(798,506)
Qualifying Disbursements	(254,197)	(695,850)
Total	\$ 814,141	\$ (594,131)
Balance carried forward to FY 2008	\$ 814,141	\$ -

The District did not meet the current year set-aside spending requirements for the textbooks reserve and therefore this amount will be carried forward with the requirement to be spent in future fiscal years. The District had qualifying disbursements and offsets during the fiscal year that reduced the set aside amount below zero for the Capital Acquisition Reserve. However, this amount may not be used to reduce the set-aside requirement for future fiscal years.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(CONTINUED)**

**NOTE 15 – COMPLIANCE AND ACCOUNTABILITY**

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

<u>Fund Name</u>	<u>Deficit</u>
EMIS	\$ 4,161
IDEA Early Childhood	320

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

**NOTE 16 – RESTATEMENT OF BEGINNING NET ASSETS AND FUND BALANCES**

The District's fiscal year 2007 basic financial statements contain prior period adjustments to reflect the correction of an error in the calculation of amounts Due To Other Governments previously reported in the General Fund and Other Governmental Funds.

In addition, taxes receivable and deferred revenue were overstated based on the improper recognition of property taxes at June 30, 2006. However, this error had no impact on the District's financial position.

The correction of this error had the following effects on fund balance and net asset beginning balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Beginning Fund Balances, as previously reported	\$ (1,845,482)	\$ 454,964
Due To Other Governments Overstatement	<u>330,429</u>	<u>56,545</u>
Beginning Fund Balances, as restated	<u>\$ (1,515,053)</u>	<u>\$ 511,509</u>
	<u>Governmental Activities</u>	
Beginning Net Assets, as previously reported	\$ 8,642,541	
Due To Other Governments Overstatement	<u>386,974</u>	
Beginning Net Assets, as restated	<u>\$ 9,029,515</u>	

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass thru Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through the Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$ -	\$ 92,273	\$ -	\$ 92,273
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	06-PU-06,07	10.553	145,219	-	145,219	-
National School Lunch Program	LL-P4-06,07	10.555	733,970	-	733,970	-
<i>Total Child Nutrition Cluster:</i>			<u>879,189</u>	<u>-</u>	<u>879,189</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>879,189</u>	<u>92,273</u>	<u>879,189</u>	<u>92,273</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-06,07	84.010	685,029	-	742,689	-
<i>Special Education Cluster:</i>						
Special Education-Grants to States	6B-SF-06,07	84.027	1,418,803	-	1,448,398	-
Special Education-Preschool Grants	PG-S1-07	84.173	31,310	-	36,067	-
<i>Total Special Education Cluster:</i>			<u>1,450,113</u>	<u>-</u>	<u>1,484,465</u>	<u>-</u>
Safe and Drug Free Schools and Communities-State Grants	DR-S1-06,07	84.186	21,879	-	24,026	-
State Grants for Innovative Programs	C2-S1-06,07	84.298	10,406	-	9,607	-
Education Technology State Grants	TJ-S1-06,07	84.318	7,881	-	7,881	-
Comprehensive School Reform Demonstration	RF-S1-06,07	84.332	83,512	-	111,750	-
English Language Acquisition Grants	T3-S1-06,07	84.365	26,448	-	27,120	-
Improving Teacher Quality State Grants	TR-S1-06,07	84.367	208,585	-	191,976	-
<b>Total U.S. Department of Education</b>			<u>2,493,853</u>	<u>-</u>	<u>2,599,514</u>	<u>-</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 3,373,042</u>	<u>\$ 92,273</u>	<u>\$ 3,478,703</u>	<u>\$ 92,273</u>

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

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the accompanying Schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Groveport Madison Local School District, Franklin County, Ohio (the District) as of and for the fiscal year ended June 30, 2007 which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2008, wherein we noted the District restated fund balances and net assets as disclosed in Note 16. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-002, and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

*Wilson, Shannon & Snow, Inc.*

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Groveport Madison Local School District  
Franklin County  
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*  
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe that none of the significant deficiencies identified above are material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 15, 2008.

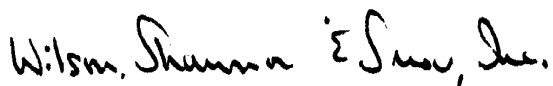
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

However, we noted certain noncompliance and other matters that we have reported to the District's management in a separate letter dated February 15, 2008.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Newark, Ohio  
February 15, 2008





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

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

**Compliance**

We have audited the compliance of the Groveport Madison Local School District, Franklin County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Groveport Madison Local School District, Franklin County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying schedule of findings and questioned costs as items 2007-004 through 2007-008.

**Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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Groveport Madison Local School District  
Franklin County  
Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133  
Page 2

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2007-004 through 2007-007 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

*Wilson, Sherman & Snow, Inc.*

Newark, Ohio  
February 15, 2008

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster \ 84.027 and 84.173, Nutrition Cluster\ 10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2007-001
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The compilation and presentation of the financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason. It is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and notes prior to audit. It is also important to note that independent auditors are not part of the entity's internal control structure and should not be relied upon by management to detect misstatements.

As a result of our audit, we identified significant audit adjustments associated with reporting net assets, accounts payable, and reservations of fund balance. We provided these adjustments to management who subsequently corrected the misstatements. These misstatements are an indicator that the District does not have sufficient internal control procedures in place related to financial reporting. In addition, the District restated net assets and fund balance to properly report Due to Other Governments, taxes receivable, and deferred revenues.

We recommend the District develop internal control procedures associated with the drafting and preparation of the financial statements and footnotes in order to enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Officials' Response:**

The District will implement procedures to review and monitor the financial reporting process.

Finding Number	2007-002
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The following conditions were noted during our testing of the District's capital assets:

- The District has established procedures to track and account for capital assets owned by the District through the Uniform School Accounting System EIS program. However, we noted insignificant variances when reconciling capital assets within the basic financial statements to the EIS system;
- The District did not consistently code capital asset related expenditures to 600/700 object codes within the accounting system. By not coding all capital asset expenditures to these object codes increases the risk that expenditures which should be capitalized are improperly omitted thus understating capital assets at fiscal year end;
- The District did not always assign tag numbers to assets, which could lead to problems in identifying the existence of capital assets and the ability to track assets if they are moved from one location to another;
- The District technology coordinator purchases computer parts and equipment in bulk and then constructs computers for use within the District. However, procedures have not been developed to properly identify the total cost to construct individual computers, tag and identify the location of the computers, or ensure the Treasurer's office receives adequate information to add the computers to the District's inventory; and

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2007-002 (Continued)
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- A specific individual has not been assigned within the Treasurer’s office to account for and track all additions, deletions, transfers, or inquire of the District’s buildings to determine the status of capital asset updates throughout the year. By assigning an individual this responsibility may reduce the risk of improperly excluding or not identifying capital asset additions, deletions, or transfers of equipment throughout the District.

We recommend the District evaluate the current procedures governing the accountability of capital assets which will help ensure the completeness and accuracy of the amounts reported during and at the end of the fiscal year. This may also assist the District and prevent multiple purchases of existing capital assets and determine if capital assets have met their intended useful life.

**Officials’ Response:**

The District will evaluate the current procedures governing capital assets and implement corrective actions as considered cost beneficial to the District.

Finding Number	2007-003
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Monthly bank reconciliations are an important internal control procedure which should be performed in a timely manner in order to reduce and prevent the likelihood of unauthorized or inaccurate transactions occurring and going undetected. We noted the following as it related to reconciling the District’s general operating accounts to the District’s accounting ledgers:

- The District contracts with an accounting firm to assist in the monthly reconciliation process. Information (bank statements, outstanding checks, etc.) is provided to the accounting firm who prepares a monthly reconciliation which is submitted to the Treasurer’s office. Based on procedures performed it appeared that management did not scrutinize or review the monthly reconciliation in determining the extent of reconciling items or adjustments. We recommend that management sign-off and maintain all supporting documentation behind the monthly reconciliations performed by the accounting firm verifying the completeness and accuracy of amounts reported;
- A receipt totaling \$11,078.69 was posted to the General Fund in order to void old outstanding checks. Upon review of this receipt and the listing of voided checks, \$890, \$350.25, and \$139.04 should have been posted to Athletics (fund 300), Title II-A (fund 590), and Ohio Reads (fund 459), respectively, instead of the General Fund. We recommend in future years the District record voided checks as a reduction in expenditures and also verify the proper funds in which voided checks were paid; and
- Monthly cash reconciliations included several correcting entries or reconciling items in order to balance at month end. Management should seek to reduce the number of reconciling items by posting receipts and expenditures in a more timely manner.

As noted within the bullet points above, we recommend management evaluate the current monthly reconciliation procedures in order to reduce and mitigate the risk of unauthorized or inaccurate transactions occurring and going undetected.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2007-003 (Continued)
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**Officials' Response:**

The District will develop procedures governing the monthly bank reconciliation process.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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Finding Number	2007-004
CFDA Title and Number	Nutrition Cluster, #10.553 and 10.555
Federal Award Number/Year	046979-05PU-2006, 046979-05PU-2007, 046979-LLP4-2006, 046979-LLP4-2007
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**Eligibility – Nutrition Cluster**

7 CFR 210.7 provides, in part, that the number of lunches and meal supplements is accurately reflected as served to eligible children. The District is required to implement internal control procedures to identify, review, and allow or disallow a child's application regarding eligibility for free and reduced lunches. The District is also required to accurately reflect eligibility status as well as changes in eligibility throughout the year after the initial application process enrolling the student upon verification finding results. This would include transfers or changes in household income.

We identified two instances in which the District incorrectly assigned free or reduced lunch status to participating children which were inconsistent with their respective free or reduced lunch applications. In one instance, the District incorrectly assigned a child "free" status although proper classification was "reduced." We also noted an instance in which a child was changed to "reduced" although documentation supported a "free" classification. Based on additional procedures performed, we determined that the errors described in this paragraph appear to be isolated noting no other unusual District approved applications.

We recommend the District implement procedures to ensure that free and reduced lunch classifications assigned and processed by the District agree to submitted applications. Furthermore, we recommend the District have an individual other than the Building Principal review and approve via signature the applications before final processing and submission to the Ohio Department of Education.

**Officials' Response and Corrective Action Plan:**

The District will implement procedures to ensure children properly meet free and reduced lunch status based on submitted applications.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

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

Finding Number	2007-005
CFDA Title and Number	Nutrition Cluster, #10.553 and 10.555
Federal Award Number/Year	046979-05PU-2006, 046979-05PU-2007, 046979-LLP4-2006, 046979-LLP4-2007
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**Eligibility – Nutrition Cluster**

7 CFR 245.6a requires that by December 15 of each school year, school food authorities shall select and verify a sample of their approved free and reduced price applications in accordance with the conditions and procedures required by the code of federal regulations. School food authorities are required to satisfy the verification requirement by using either random sampling or focused sampling and maintain documentation to support the process performed.

We noted the following inconsistencies pertaining to the District’s verification policies and procedures:

- The District elected to use focused sampling to satisfy the verification requirement which is allowable in accordance with federal guidelines. However, the District did not retain a listing of individuals which comprised the focused sampling group for fiscal year 2007;
- We identified an instance in which an individual was properly denied further participation based on the family’s income. The District properly allowed the family to re-submit documentation evidencing current income and therefore allowing participation. Based on testing, it was noted that the District did not retain documentation to support the change in status to allow participation; and
- Notification letters sent to families regarding program participation status based on initial applications received were not always retained or made available for audit.

We recommend the District develop consistent internal control procedures ensuring documentation is properly retained and processed in a consistent and complete manner.

**Officials’ Response and Corrective Action Plan:**

The District will implement procedures to ensure children properly meet free and reduced lunch status based on submitted applications.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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Finding Number	2007-006
CFDA Title and Number	Special Education Cluster, #84.027 and 84.173
Federal Award Number/Year	046979-6BSF-2006, 046979-6BSF-2007, 046979-PGS1-2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Allowable Costs/Cost Principles – Special Education Cluster - Questioned Cost**

OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments” establishes principles and standards for determining allowable direct and indirect costs for Federal awards. The general criteria affecting allowability of costs under Federal awards are:

- *Reasonable and Necessary* – Costs must be reasonable and necessary for the performance and administration of Federal awards;
- *Allocable* – Costs must be allocable to the Federal awards under the provisions of the cost principles or GASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such objective in accordance with relative benefits received;
- *Consistency* – Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purposes in like circumstances was allocated to the Federal award as an indirect cost;
- *Conformity to Laws, Regulations, and Sponsored Agreements* – Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements, or other governing regulations as to types or amounts of cost items;
- *Transactions that Reduce or Offset Direct or Indirect Costs* – Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges; and
- *Costs Documentation* – Costs must be documented in accordance with the A-102 Common Rule for State, Local and Indian Tribal Governments.

For three transactions totaling \$10,485.53, adequate supporting documentation was not provided. For two of the transactions, we were unable to determine amounts charged to the IDEA grant (Special Education Cluster) related to grant services provided by the District. It appears expenditures were allocated from the General Fund to the Special Education Cluster based on available budgeted Special Education grant funds during the fiscal year. For the other transaction, the District provided documentation related to mileage reimbursements. However, the individuals listed provided multiple services to the District, including special education services, and we were unable to determine by the supporting documentation what, if any, portion of the expenditure related to special education services.

We recommend the District develop internal control procedures to ensure that the all expenditures, including grants, are supported by sufficient documentation. Instances in which coding corrections are determined necessary, we recommend detailed supporting documentation is retained to support the nature and purpose of such corrections.



**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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Finding Number	2007-006 (Continued)
CFDA Title and Number	Special Education Cluster, #84.027 and 84.173
Federal Award Number/Year	046979-6BSF-2006, 046979-6BSF-2007, 046979-PGS1-2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Officials' Response and Corrective Action Plan:**

The District will implement procedures to ensure federal expenditures are supported by appropriate documentation.

Finding Number	2007-007
CFDA Title and Number	Special Education Cluster, #84.027 and 84.173
Federal Award Number/Year	046979-6BSF-2006, 046979-6BSF-2007, 046979-PGS1-2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Reporting – Special Education Cluster**

The District's 2007 Consolidated Application Assurances, item 5, as submitted to the Ohio Department of Education provides that the District will make reports to the Ohio Department of Education as may be reasonably necessary to enable the Ohio Department of Education to perform its duties. The assurances require that the District report actual cash receipts and expenditures incurred which pertains to the federal funding period. Upon the completion of the federal funding period and upon authorization from the federal awarding agency, unobligated balances may be carried over and expended in the subsequent funding period. Prior to the submission of the final expenditure report to the Ohio Department of Education, the District is required to verify the completeness and accuracy of the amounts reported (A-102 Common Rule, § \_\_.41)

For the IDEA grant (Special Education Cluster) the amount reported as cash received in the final expenditure report did not agree with the amount actually received by the District for the fiscal year 2007. The amount reported in the final expenditure report submitted to the Ohio Department of Education through September 30, 2007 was \$1,439,879.64 and the amount actually received by the District through September 30, 2007 was \$1,440,253.19. This difference of \$373.55 was incorrectly reported as a carry-over balance to be expended in the subsequent grant period.

We recommend the District reconcile actual cash receipts and expenditures from the accounting system to the final expenditure report prior to submission to the Ohio Department of Education. This will help ensure the completeness and accuracy of submissions and reduce the likelihood of unallowable costs.

**Officials' Response and Corrective Action Plan:**

The District will implement procedures to ensure the completeness and accuracy of the amounts reported on the final expenditure report in future fiscal years.

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**JUNE 30, 2007**

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

Finding Number	2007-008
CFDA Title and Number	Special Education Cluster, #84.027 and 84.173
Federal Award Number/Year	046979-6BSF-2006, 046979-6BSF-2007, 046979-PGS1-2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Period of Availability – Special Education Cluster**

34 CFR 74.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs only after authorization. The Ohio Department of Education (ODE) 2007 Continuous Comprehensive Improvement Planning (CCIP) Consolidated Application for the Special Education Cluster defined available period as July 1, 2006 to June 30, 2007. 34 CFR 76.707 states that an obligation for personal services by an employee of the State or subgrantee occurs when the services are performed.

The District charged \$4,922.76 in mileage and transportation costs related to services performed prior to July 1, 2006 to the 2007 Special Education Cluster. We recommend that the District use grant funds only for expenditures obligated during the period of availability.

**Officials' Response and Corrective Action Plan:**

The District will implement procedures to ensure only federal expenditures made during the related period of availability are charged to the grant fund.



**Mary Taylor, CPA**  
Auditor of State

**GROVEPORT MADISON LOCAL SCHOOL DISTRICT**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 17, 2008**