

**MARYSVILLE EXEMPTED VILLAGE  
SCHOOL DISTRICT**

**UNION COUNTY**

**SINGLE AUDIT**

**JULY 1, 2009 - JUNE 30, 2010**







# Dave Yost • Auditor of State

Board of Education  
Marysville Exempted Village School District  
1000 Edgewood Drive  
Marysville, Ohio 43040

We have reviewed the *Independent Auditors' Report* of the Marysville Exempted Village School District, Union County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Marysville Exempted Village School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 11, 2011

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY, OHIO**

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UNION COUNTY, OHIO

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Board of Education  
Marysville Exempted Village School District  
1000 Edgewood Drive  
Marysville, Ohio 43040

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio (the District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof 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 2, the District restated net assets and General Fund balance to properly account for accrued wages and benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
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Marysville Exempted Village School District  
Union County  
Independent Auditors' Report

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurances.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting records and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financials statements taken as a whole.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 20, 2010

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

*Unaudited*

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The discussion and analysis of Marysville Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

## **FINANCIAL HIGHLIGHTS**

### **Key financial highlights for 2010 are as follows:**

In total, net assets increased \$2,276,099. Net assets of governmental activities increased \$2,108,375, which represents a 19.2% increase from 2009. Net assets of business-type activities increased \$167,724 or 21.5% from 2009.

General revenues accounted for \$57,565,639 in revenue or 89.4% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$6,883,781 or 10.6% of total revenues of \$64,449,420.

The District had \$59,567,360 in expenses related to governmental activities; only \$4,110,096 of these expenses were offset by program specific charges for services, grants or contributions.

Among major funds, the general fund had \$47,617,633 in revenues and \$44,923,205 in expenditures. The general fund's fund balance increased by \$2,626,755 to an ending balance of \$309,093. The increase is a result of increased taxes while maintaining expenditures at the previous year's level.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

*Unaudited*

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## **Government-wide Statements**

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

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

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

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

The following table provides a summary of the District's net assets for 2010 compared to 2009.

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	Restated 2009	2010	2009	2010	Restated 2009
Current and other assets	\$38,593,605	\$45,746,961	\$469,815	\$213,768	\$39,063,420	\$45,960,729
Capital assets, Net	109,324,173	112,089,915	804,118	883,930	110,128,291	112,973,845
Total assets	<u>147,917,778</u>	<u>157,836,876</u>	<u>1,273,933</u>	<u>1,097,698</u>	<u>149,191,711</u>	<u>158,934,574</u>
Long-term debt outstanding	104,740,498	107,758,866	63,582	45,289	104,804,080	107,804,155
Other liabilities	30,095,394	39,104,499	262,392	272,174	30,357,786	39,376,673
Total liabilities	<u>134,835,892</u>	<u>146,863,365</u>	<u>325,974</u>	<u>317,463</u>	<u>135,161,866</u>	<u>147,180,828</u>
Net assets						
Invested in capital assets, net of related debt	14,433,487	15,009,323	804,118	883,930	15,237,605	15,893,253
Restricted	6,554,204	5,130,210	0	0	6,554,204	5,130,210
Unrestricted	(7,905,805)	(9,166,022)	143,841	(103,695)	(7,761,964)	(9,269,717)
Total net assets	<u>\$13,081,886</u>	<u>\$10,973,511</u>	<u>\$947,959</u>	<u>\$780,235</u>	<u>\$14,029,845</u>	<u>\$11,753,746</u>

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## MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal years 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services and Sales	\$850,492	\$982,912	\$2,033,101	\$1,969,198	\$2,883,593	\$2,952,110
Operating Grants and Contributions	3,259,604	1,823,866	740,584	736,450	4,000,188	2,560,316
Capital Grants and Contributions	0	33,750	0	0	0	33,750
Total Program Revenues	<u>4,110,096</u>	<u>2,840,528</u>	<u>2,773,685</u>	<u>2,705,648</u>	<u>6,883,781</u>	<u>5,546,176</u>
General Revenues:						
Property Taxes	30,023,116	28,444,792	0	0	30,023,116	28,444,792
Grants and Entitlements	26,995,634	26,138,791	0	0	26,995,634	26,138,791
Other	546,889	1,031,670	0	0	546,889	1,031,670
Total General Revenues	<u>57,565,639</u>	<u>55,615,253</u>	<u>0</u>	<u>0</u>	<u>57,565,639</u>	<u>55,615,253</u>
Total Revenues	<u>61,675,735</u>	<u>58,455,781</u>	<u>2,773,685</u>	<u>2,705,648</u>	<u>64,449,420</u>	<u>61,161,429</u>
Program Expenses						
Instruction	31,563,759	32,382,919	0	0	31,563,759	32,382,919
Support Services:						
Pupils	3,153,419	2,908,822	0	0	3,153,419	2,908,822
Instructional Staff	4,417,035	4,355,115	0	0	4,417,035	4,355,115
Board of Education	27,738	26,314	0	0	27,738	26,314
Administration	3,331,907	3,139,272	0	0	3,331,907	3,139,272
Fiscal Services	1,328,235	1,239,178	0	0	1,328,235	1,239,178
Business	896,995	823,710	0	0	896,995	823,710
Operation and Maintenance of Plant	4,874,495	4,522,068	0	0	4,874,495	4,522,068
Pupil Transportation	2,359,872	2,126,993	0	0	2,359,872	2,126,993
Central	864,367	722,379	0	0	864,367	722,379
Operation of Non-Instructional Services	104,728	159,264	0	0	104,728	159,264
Extracurricular Activities	1,170,656	1,142,799	0	0	1,170,656	1,142,799
Interest and Fiscal Charges	5,474,154	5,402,580	0	0	5,474,154	5,402,580
Food Service	0	0	2,052,904	2,108,186	2,052,904	2,108,186
Uniform School Supplies	0	0	209,557	198,784	209,557	198,784
Special Enterprise-Day Care	0	0	343,500	347,255	343,500	347,255
Total expenses	<u>59,567,360</u>	<u>58,951,413</u>	<u>2,605,961</u>	<u>2,654,225</u>	<u>62,173,321</u>	<u>61,605,638</u>
Change in Net Assets before transfers	2,108,375	(495,632)	167,724	51,423	2,276,099	(444,209)
Transfers	0	(444,446)	0	444,446	0	0
Total Change in Net Assets	<u>2,108,375</u>	<u>(940,078)</u>	<u>167,724</u>	<u>495,869</u>	<u>2,276,099</u>	<u>(444,209)</u>
Beginning Net Assets, restated	10,973,511	11,913,589	780,235	284,366	11,753,746	12,197,955
Total Net Assets	<u>\$13,081,886</u>	<u>\$10,973,511</u>	<u>\$947,959</u>	<u>\$780,235</u>	<u>\$14,029,845</u>	<u>\$11,753,746</u>

### **Governmental Activities**

Net assets of the District's governmental activities increased by \$2,108,375. The increase of net assets in fiscal year 2010 was the result of a full year of taxes on a new 4 mill levy and new grants as a result of the American Recovery and Reinvestment Act.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

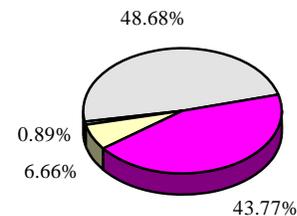
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

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

Property taxes made up 49% of revenues for governmental activities for Marysville Exempted Village Schools in fiscal year 2010. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2010	Percent of Total
General Tax Revenues	\$30,023,116	48.68%
General Grants	26,995,634	43.77%
Program Revenues	4,110,096	6.66%
General Other	546,889	0.89%
Total Revenue	<u>\$61,675,735</u>	<u>100.00%</u>



### **Business-Type Activities**

Net assets of the business-type activities increased by \$167,724. This increase is a result of reducing food service expenditures. Business activities receive no support from tax revenues.

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

The District's governmental funds reported a combined fund balance of \$7,333,292 which is over last year's balance of \$5,701,232. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Restated Fund Balance June 30, 2009	Increase (Decrease)
General	\$309,093	(\$2,317,662)	\$2,626,755
Bond Retirement	1,149,071	1,610,767	(461,696)
Permanent Improvement	4,024,977	3,770,933	254,044
Other Governmental	1,850,151	2,637,194	(787,043)
Total	<u>\$7,333,292</u>	<u>\$5,701,232</u>	<u>\$1,632,060</u>

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

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

	2010 Revenues	2009 Revenues	Increase (Decrease)
Taxes	\$22,768,762	\$21,254,380	\$1,514,382
Tuition	304,043	281,289	22,754
Transportation Fees	27,694	83,047	(55,353)
Investment Earnings	55,245	199,906	(144,661)
Extracurricular Activities	226,514	193,656	32,858
Class Materials and Fees	0	130,611	(130,611)
Intermediate Sources	2,991	4,626	(1,635)
Intergovernmental - State	23,809,606	23,921,329	(111,723)
Intergovernmental - Federal	109,159	1,820	107,339
All Other Revenue	313,619	447,962	(134,343)
<b>Total</b>	<b>\$47,617,633</b>	<b>\$46,518,626</b>	<b>\$1,099,007</b>

General Fund revenues in 2010 increased approximately 2.4% compared to revenues in fiscal year 2009. The increase in taxes is due to the passage of a new 4 mill levy in November 2008. Collection of taxes for the new levy began in the second half of fiscal year 2009, so fiscal year 2010 was the first full year of collections from the new levy. The decrease in class material and fees was due to a new policy to record class fees in the Uniform Schools Supply fund, a business-type activity. The decrease in investment earnings is due to falling interest rates on investments.

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Instruction	\$25,444,466	\$26,025,215	(\$580,749)
Supporting Services:			
Pupils	2,989,678	2,818,808	170,870
Instructional Staff	3,210,747	3,299,763	(89,016)
Board of Education	26,410	24,986	1,424
Administration	2,912,563	2,716,781	195,782
Fiscal Services	1,216,703	1,102,565	114,138
Business	830,018	803,434	26,584
Operation & Maintenance of Plant	4,389,027	4,194,752	194,275
Pupil Transportation	2,125,351	1,958,568	166,783
Central	821,015	677,112	143,903
Operation of Non-Instructional Services	1,728	866	862
Extracurricular Activities	864,068	869,506	(5,438)
Debt Service			
Principal Retirement	65,000	65,000	0
Interest and Fiscal Charges	26,431	30,429	(3,998)
<b>Total</b>	<b>\$44,923,205</b>	<b>\$44,587,785</b>	<b>\$335,420</b>

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

The expenditures increased by \$335,420 or 0.8% compared to the prior year. Instruction expenditures decreased because salaries and wages for intervention specialists were paid from federal grants through special revenue funds.

*Bond Retirement Fund* - The fund balance decreased from \$1,610,767 to \$1,149,071 as a result of tax revenues being slightly less than required principal and interest payments on debt.

*Permanent Improvement Fund* – The fund balance increased from \$3,770,933 to \$4,024,977 so funds could be utilized for summer asphalt projects and summer purchase of technology equipment.

### **GENERAL FUND BUDGETING HIGHLIGHTS**

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

During the course of fiscal year 2010 the District amended its General Fund budget several times, none significant.

For the General Fund, the final budget revenue was \$46.6 million, \$1.1 million below original budget estimates of \$47.7 million. The decrease was due to less than expected funding from the State.

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

#### *Capital Assets*

At the end of fiscal 2010 the District had \$110,128,291, net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$109,324,173 was related to governmental activities and \$804,118 to the business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$6,355,496	\$6,355,496	\$0
Land Improvements	4,368,567	4,336,374	32,193
Buildings and Improvements	114,961,895	114,961,895	0
Furniture, Fixtures and Equipment	16,034,877	15,518,365	516,512
Vehicles	3,001,260	2,809,607	191,653
Less: Accumulated Depreciation	(35,397,922)	(31,891,822)	(3,506,100)
Totals	\$109,324,173	\$112,089,915	(\$2,765,742)

The primary increases occurred in vehicles with the addition of two busses and equipment with the addition of new technology equipment.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

	Business-Type Activities		<i>Unaudited</i> Increase (Decrease)
	2010	2009	
Furniture and Equipment	\$1,606,980	\$1,598,701	\$8,279
Less: Accumulated Depreciation	(802,862)	(714,771)	(88,091)
Totals	\$804,118	\$883,930	(\$79,812)

There were no significant increases in capital assets for business-type activities.

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

### *Debt*

At June 30, 2010, the District had \$104.8 million in bonds, notes, capital leases, and compensated absences outstanding, \$5,325,310 due within one year. The following table summarizes the District's debt outstanding for fiscal year 2010 and 2009:

	2010	2009
Governmental Activities:		
General Obligation Bonds:		
School Improvement	\$99,629,087	\$102,698,813
Installment Notes Payable	485,000	550,000
Capital Leases Payable	1,511,000	1,595,000
Early Retirement Incentive Payable	0	120,000
Compensated Absences	3,115,411	2,795,053
Total Governmental Activities	104,740,498	107,758,866
Business-Type Activities:		
Compensated Absences	63,582	45,289
Totals	\$104,804,080	\$107,804,155

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property with certain exceptions. One such exception is to receive a special needs district certification from the Superintendent of Public Instruction. The District was certified as a special needs district on June 29, 2005 and as a result may incur net indebtedness by issuance of securities in an amount that does not exceed 9% of the projected increase of its tax valuation during the next ten years. Additional information on the District's long-term debt can be found in Note 14.

# **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

*Unaudited*

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## **ECONOMIC FACTORS**

The District relies on its property taxes and State Foundation Funds to provide the funds necessary to maintain its educational programs. The Marysville School district continues to grow with an average 2% growth rate per year. This year's growth brought the total school population to over 5,600 students. Our graduating class in 2002 was the last class under 300.

Union County is one of the fastest growing counties in Ohio and Marysville is one of the fastest growing cities in Ohio. We have had eight new housing developments in the past six years. Marysville industrial and commercial tax base is increasing with an addition to the Scotts facility and new restaurants and stores being built in the Coleman's Crossing area.

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

In November 2009, Marysville Exempted Village School District residents passed a renewal of an existing 6.56 mill levy. This levy does not generate any additional tax dollars.

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

## **REQUESTS FOR INFORMATION**

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

***MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT***

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## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### ***Statement of Net Assets*** ***June 30, 2010***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 8,939,003	\$ 450,655	\$ 9,389,658
Investments	1,500,500	0	1,500,500
Receivables:			
Taxes	27,157,885	0	27,157,885
Accounts	6,625	5,406	12,031
Intergovernmental	115,537	0	115,537
Interest	3,556	0	3,556
Inventory of Supplies at Cost	0	12,402	12,402
Prepaid Items	100,699	1,352	102,051
Deferred Charges	769,800	0	769,800
Capital Assets:			
Nondepreciable Capital Assets	6,355,496	0	6,355,496
Depreciable Capital Assets, Net	102,968,677	804,118	103,772,795
Total Capital Assets, Net	109,324,173	804,118	110,128,291
<b>Total Assets</b>	<b>147,917,778</b>	<b>1,273,933</b>	<b>149,191,711</b>
<b>Liabilities:</b>			
Accounts Payable	281,814	25,314	307,128
Accrued Wages and Benefits	5,417,777	135,615	5,553,392
Intergovernmental Payable	1,467,446	101,463	1,568,909
Unearned Revenue - Taxes	21,818,755	0	21,818,755
Early Retirement Incentive Payable	120,000	0	120,000
Accrued Interest Payable	344,602	0	344,602
General Obligation Notes Payable	645,000	0	645,000
Long Term Liabilities:			
Due Within One Year	5,313,852	11,458	5,325,310
Due in More Than One Year	99,426,646	52,124	99,478,770
<b>Total Liabilities</b>	<b>134,835,892</b>	<b>325,974</b>	<b>135,161,866</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	14,433,487	804,118	15,237,605
Restricted For:			
Capital Projects	5,563,173	0	5,563,173
Debt Service	864,219	0	864,219
Other Purposes	126,812	0	126,812
Unrestricted (Deficit)	(7,905,805)	143,841	(7,761,964)
<b>Total Net Assets</b>	<b>\$ 13,081,886</b>	<b>\$ 947,959</b>	<b>\$ 14,029,845</b>

See accompanying notes to the basic financial statements

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### **Statement of Activities** **For the Fiscal Year Ended June 30, 2010**

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 31,563,759	\$ 417,620	\$ 2,433,450
Support Services:			
Pupils	3,153,419	0	646
Instructional Staff	4,417,035	0	393,100
Board of Education	27,738	0	0
Administration	3,331,907	0	212,487
Fiscal Services	1,328,235	0	632
Business	896,995	0	0
Operation and Maintenance of Plant	4,874,495	0	0
Pupil Transportation	2,359,872	27,694	68,676
Central	864,367	0	9,554
Operation of Non-Instructional Services	104,728	0	132,969
Extracurricular Activities	1,170,656	405,178	8,090
Interest and Fiscal Charges	5,474,154	0	0
<b>Total Governmental Activities</b>	<b>59,567,360</b>	<b>850,492</b>	<b>3,259,604</b>
<b>Business-Type Activities:</b>			
Food Service	2,052,904	1,406,700	740,584
Uniform School Supplies	209,557	270,245	0
Special Enterprise-Day Care	343,500	356,156	0
<b>Total Business-Type Activities</b>	<b>2,605,961</b>	<b>2,033,101</b>	<b>740,584</b>
<b>Totals</b>	<b>\$ 62,173,321</b>	<b>\$ 2,883,593</b>	<b>\$ 4,000,188</b>

#### **General Revenues**

Property Taxes Levied for:

    General Purposes

    Debt Service

    Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (28,712,689)	\$ 0	\$ (28,712,689)
(3,152,773)	0	(3,152,773)
(4,023,935)	0	(4,023,935)
(27,738)	0	(27,738)
(3,119,420)	0	(3,119,420)
(1,327,603)	0	(1,327,603)
(896,995)	0	(896,995)
(4,874,495)	0	(4,874,495)
(2,263,502)	0	(2,263,502)
(854,813)	0	(854,813)
28,241	0	28,241
(757,388)	0	(757,388)
(5,474,154)	0	(5,474,154)
(55,457,264)	0	(55,457,264)
0	94,380	94,380
0	60,688	60,688
0	12,656	12,656
0	167,724	167,724
(55,457,264)	167,724	(55,289,540)
23,570,518	0	23,570,518
4,014,582	0	4,014,582
2,438,016	0	2,438,016
26,995,634	0	26,995,634
52,320	0	52,320
494,569	0	494,569
57,565,639	0	57,565,639
2,108,375	167,724	2,276,099
10,973,511	780,235	11,753,746
\$ 13,081,886	\$ 947,959	\$ 14,029,845

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

---

	General	Bond Retirement	Permanent Improvement
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,905,055	\$ 567,898	\$ 3,670,492
Investments	1,500,500	0	0
Receivables:			
Taxes	20,955,129	3,305,836	2,896,920
Accounts	6,625	0	0
Intergovernmental	15,829	0	0
Interest	3,556	0	0
Interfund Loan Receivable	3,108	0	0
Prepaid Items	37,348	0	63,147
<b>Total Assets</b>	<b>\$ 24,427,150</b>	<b>\$ 3,873,734</b>	<b>\$ 6,630,559</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 128,822	\$ 0	\$ 100,285
Accrued Wages and Benefits	5,175,736	0	0
Intergovernmental Payable	1,401,859	15,487	14,841
Interfund Loans Payable	0	0	0
Deferred Revenue - Taxes	17,079,590	2,709,176	2,490,456
Deferred Revenue	3,556	0	0
Early Retirement Incentive Payable	120,000	0	0
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Compensated Absences Payable	208,494	0	0
<b>Total Liabilities</b>	<b>24,118,057</b>	<b>2,724,663</b>	<b>2,605,582</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	338,325	0	157,488
Reserved for Prepaid Items	37,348	0	63,147
Reserved for Debt Service	0	552,411	0
Reserved for Property Taxes	3,875,539	596,660	406,464
Unreserved, Undesignated in:			
General Fund (Deficit)	(3,942,119)	0	0
Special Revenue Funds	0	0	0
Capital Projects Funds	0	0	3,397,878
<b>Total Fund Balances</b>	<b>309,093</b>	<b>1,149,071</b>	<b>4,024,977</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,427,150</b>	<b>\$ 3,873,734</b>	<b>\$ 6,630,559</b>

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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Other Governmental Funds	Total Governmental Funds
\$ 2,795,558	\$ 8,939,003
0	1,500,500
0	27,157,885
0	6,625
99,708	115,537
0	3,556
0	3,108
204	100,699
\$ 2,895,470	\$ 37,826,913
\$ 52,707	\$ 281,814
242,041	5,417,777
35,259	1,467,446
3,108	3,108
0	22,279,222
65,790	69,346
0	120,000
1,414	1,414
645,000	645,000
0	208,494
1,045,319	30,493,621
212,049	707,862
204	100,699
0	552,411
0	4,878,663
0	(3,942,119)
317,028	317,028
1,320,870	4,718,748
1,850,151	7,333,292
\$ 2,895,470	\$ 37,826,913

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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***Reconciliation of Total Governmental Fund Balances  
To Net Assets of Governmental Activities  
June 30, 2010***

---

**Total Governmental Fund Balances** \$ 7,333,292

***Amounts reported for governmental activities in the  
statement of net assets are different because***

Capital Assets used in governmental activities are not current resources and therefore are not reported in the funds. 109,324,173

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 529,813

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

Long-Term Notes Payable	(485,000)
General Obligation Bonds Payable	(92,797,113)
Deferred Amount on Refunding	2,157,499
Issuance Premium	(3,020,259)
Interest Accretion	(5,969,214)
Deferred Charge for Issuance Costs	769,800
Capital Leases Payable	(1,511,000)
Compensated Absences Payable	(2,906,917)
Accrued Interest Payable	(343,188)

(104,105,392)

***Net Assets of Governmental Activities***

\$ 13,081,886

See accompanying notes to the basic financial statements

***MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT***

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## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### **Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2010**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>
<b>Revenues:</b>			
Local Sources:			
Taxes	\$ 22,768,762	\$ 3,988,404	\$ 3,049,299
Tuition	304,043	0	0
Transportation Fees	27,694	0	0
Investment Earnings	55,245	0	0
Extracurricular Activities	226,514	0	0
Intermediate Sources	2,991	0	0
Intergovernmental - State	23,809,606	1,862,860	1,227,587
Intergovernmental - Federal	109,159	0	0
All Other Revenue	313,619	0	0
<b>Total Revenue</b>	<u>47,617,633</u>	<u>5,851,264</u>	<u>4,276,886</u>
<b>Expenditures:</b>			
Current:			
Instruction	25,444,466	0	362,978
Supporting Services:			
Pupils	2,989,678	0	0
Instructional Staff	3,210,747	0	575,737
Board of Education	26,410	0	0
Administration	2,912,563	0	3,056
Fiscal Services	1,216,703	65,488	44,112
Business	830,018	0	52,407
Operation and Maintenance of Plant	4,389,027	0	485,018
Pupil Transportation	2,125,351	0	151,246
Central	821,015	0	0
Operation of Non-Instructional Services	1,728	0	0
Extracurricular Activities	864,068	0	0
Capital Outlay	0	0	38,637
Debt Service:			
Principal Retirement	65,000	2,905,000	1,409,000
Interest and Fiscal Charges	26,431	3,342,472	900,651
<b>Total Expenditures</b>	<u>44,923,205</u>	<u>6,312,960</u>	<u>4,022,842</u>
Excess (Deficiency) of Revenues			
Over Expenditures	2,694,428	(461,696)	254,044

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 29,806,465
0	304,043
0	27,694
6,252	61,497
273,062	499,576
0	2,991
156,446	27,056,499
3,024,232	3,133,391
206,716	520,335
<u>3,666,708</u>	<u>61,412,491</u>

2,598,143	28,405,587
80,677	3,070,355
273,632	4,060,116
0	26,410
236,531	3,152,150
0	1,326,303
0	882,425
36,366	4,910,411
417	2,277,014
48,833	869,848
100,785	102,513
226,140	1,090,208
902,253	940,890
0	4,379,000
19,150	4,288,704
<u>4,522,927</u>	<u>59,781,934</u>

(856,219)      1,630,557

(Continued)

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

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	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	1,503	0	0
Transfers In	750	0	0
Transfers Out	<u>(69,926)</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(67,673)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	2,626,755	(461,696)	254,044
<b>Fund Balances at Beginning of Year, Restated</b>	<u>(2,317,662)</u>	<u>1,610,767</u>	<u>3,770,933</u>
<b>Fund Balances End of Year</b>	<u><u>\$ 309,093</u></u>	<u><u>\$ 1,149,071</u></u>	<u><u>\$ 4,024,977</u></u>

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
0	1,503
73,962	74,712
<u>(4,786)</u>	<u>(74,712)</u>
<u>69,176</u>	<u>1,503</u>
(787,043)	1,632,060
<u>2,637,194</u>	<u>5,701,232</u>
<u>\$ 1,850,151</u>	<u>\$ 7,333,292</u>

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Fiscal Year Ended June 30, 2010***

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,632,060</b>
<b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>	
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 outlays in the current period.	(2,752,583)
The effect of disposals of capital assets is to decrease net assets.	(13,159)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	261,741
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,379,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	13,314
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	(213,234)
Interest Accretion	(1,203,412)
Amortization of Deferred Loss on Refunding	(107,875)
Amortization of Deferred Charge for Bond Issuance Costs	(38,490)
Amortization of Premium on Bond Issuance	151,013
	<u>(1,411,998)</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>	<b><u>\$ 2,108,375</u></b>

See accompanying notes to the basic financial statements

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## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 21,031,026	\$ 21,031,026	\$ 20,650,646	\$ (380,380)
Tuition	286,000	286,000	304,293	18,293
Transportation Fees	60,000	60,000	30,201	(29,799)
Investment Earnings	150,000	150,000	12,803	(137,197)
Extracurricular Activities	70,000	163,237	241,882	78,645
Intermediate Sources	5,000	5,000	2,991	(2,009)
Intergovernmental - State	25,119,434	23,887,326	24,153,355	266,029
Intergovernmental - Federal	1,500	1,500	109,159	107,659
All Other Revenues	308,350	340,220	335,902	(4,318)
Total Revenues	47,031,310	45,924,309	45,841,232	(83,077)
<b>Expenditures:</b>				
Current:				
Instruction	25,542,957	25,393,857	25,382,209	11,648
Support Services:				
Pupils	3,017,031	3,024,441	2,995,217	29,224
Instructional Staff	3,358,852	3,356,823	3,268,400	88,423
Board of Education	30,132	36,353	28,626	7,727
Administration	2,820,742	2,937,539	2,905,085	32,454
Fiscal Services	1,228,610	1,186,902	1,156,792	30,110
Business	895,197	893,401	840,427	52,974
Operation and Maintenance of Plant	4,884,779	4,919,857	4,608,175	311,682
Pupil Transportation	2,307,309	2,282,998	2,164,317	118,681
Central	808,282	848,648	821,935	26,713
Operation of Non-Instructional Services	1,000	2,000	1,747	253
Extracurricular Activities	933,160	928,982	889,016	39,966
Debt Service:				
Principal Retirement	760,000	760,000	760,000	0
Interest and Fiscal Charges	46,409	46,408	46,357	51
Total Expenditures	46,634,460	46,618,209	45,868,303	749,906
Excess (Deficiency) of Revenues Over (Under) Expenditures	396,850	(693,900)	(27,071)	666,829

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	10,000	10,000	1,503	(8,497)
General Obligation Notes Issued	645,000	645,000	645,000	0
Transfers In	0	750	750	0
Advances In	0	0	35	35
Advances Out	0	0	(3,108)	(3,108)
Refund of Prior Year's Expenditures	2,000	2,000	1,694	(306)
Refund of Prior Year's Receipts	(265,187)	(265,187)	(265,187)	0
Total Other Financing Sources (Uses):	391,813	392,563	380,687	(11,876)
 Net Change in Fund Balance	 788,663	 (301,337)	 353,616	 654,953
 Fund Balance at Beginning of Year	 2,311,956	 2,311,956	 2,311,956	 0
Prior Year Encumbrances	273,309	273,309	273,309	0
Fund Balance at End of Year	\$ 3,373,928	\$ 2,283,928	\$ 2,938,881	\$ 654,953

See accompanying notes to the basic financial statements

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Statement of Net Assets Proprietary Funds June 30, 2010

	Business-Type Activities-Nonmajor Enterprise Funds
<b>Assets:</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 450,655
Receivables:	
Accounts	5,406
Inventory of Supplies at Cost	12,402
Prepaid Items	1,352
<i>Total Current Assets</i>	<u>469,815</u>
<i>Non Current Assets:</i>	
Capital Assets, Net	804,118
<b>Total Assets</b>	<u>1,273,933</u>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Accounts Payable	25,314
Accrued Wages and Benefits	135,615
Intergovernmental Payable	101,463
Compensated Absences Payable- Current	11,458
<i>Total Current Liabilities</i>	<u>273,850</u>
<i>Long Term Liabilities:</i>	
Compensated Absences Payable	52,124
<i>Total Long Term Liabilities</i>	<u>52,124</u>
<b>Total Liabilities</b>	<u>325,974</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	804,118
Unrestricted	143,841
<b>Total Net Assets</b>	<u>\$ 947,959</u>

See accompanying notes to the basic financial statements

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**

---

	<u>Business-Type Activities-Nonmajc Enterprise Funds</u>
<b>Operating Revenues:</b>	
Sales	\$ 1,406,700
Tuition and Fees	626,401
<b>Total Operating Revenues</b>	<u>2,033,101</u>
<b>Operating Expenses:</b>	
Salaries and Wages	936,354
Fringe Benefits	412,426
Contractual Services	69,775
Supplies and Materials	1,095,227
Depreciation	88,091
Other Operating Expense	4,088
<b>Total Operating Expenses</b>	<u>2,605,961</u>
Operating Income (Loss)	(572,860)
<b>Nonoperating Revenue (Expenses):</b>	
Operating Grants	740,584
<b>Total Nonoperating Revenues (Expenses)</b>	<u>740,584</u>
Change in Net Assets	167,724
Net Assets Beginning of Year	<u>780,235</u>
Net Assets End of Year	<u>\$ 947,959</u>

See accompanying notes to the basic financial statements

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	Business -Type Activities - Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,406,700
Cash Received from Tuition and Fee Payments	631,218
Cash Payments for Goods and Services	(1,095,000)
Cash Payments to Employees for Services and Benefits	(1,303,262)
Net Cash Used for Operating Activities	<u>(360,344)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	626,461
Net Cash Provided by Noncapital Financing Activities	<u>626,461</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(7,061)
Net Cash Used by Capital and Related Financing Activities	<u>(7,061)</u>
Net Increase in Cash and Cash Equivalents	259,056
Cash and Cash Equivalents at Beginning of Year	191,599
Cash and Cash Equivalents at End of Year	<u>\$450,655</u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$572,860)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	88,091
Donated Commodities Used During the Year	114,123
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	4,817
Increase in Inventory	(1,683)
Increase in Prepaid Items	(125)
Decrease in Accounts Payable	(38,225)
Increase in Accrued Wages and Benefits	34,286
Decrease in Intergovernmental Payables	(7,061)
Increase in Compensated Absences	18,293
Total Adjustments	<u>212,516</u>
Net Cash Used for Operating Activities	<u>(\$360,344)</u>

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

During fiscal year 2010, \$114,123 in donated commodities was received from the federal government. At June 30, 2010, the Food Service Fund had outstanding liabilities of \$1,218 for certain capital assets.

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

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	Private Purpose Trust	
	Special Trust Fund	Agency Funds
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 7,058	\$ 172,050
Investments	101,483	0
Receivables:		
Interest	2,248	0
<b>Total Assets</b>	<u>110,789</u>	<u>172,050</u>
<b>Liabilities:</b>		
Accounts Payable	57	0
Due to Others	0	36,196
Due to Students	0	135,854
<b>Total Liabilities</b>	<u>57</u>	<u>172,050</u>
<b>Net Assets:</b>		
Unrestricted	110,732	0
<b>Total Net Assets</b>	<u>\$ 110,732</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Statement of Changes in Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2010**

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	Private Purpose Trust
	<u>Special Trust Fund</u>
<b>Additions:</b>	
Contributions:	
Sales	\$ 2,018
Private Donations	<u>68,726</u>
Total Contributions	<u>70,744</u>
Investment Earnings:	
Interest	<u>1,604</u>
Total Additions	<u>72,348</u>
<b>Deductions:</b>	
Administrative Expenses	3,828
Community Gifts, Awards and Scholarships	<u>9,375</u>
Total Deductions	<u>13,203</u>
Change in Net Assets	59,145
Net Assets at Beginning of Year	<u>51,587</u>
Net Assets End of Year	<u>\$ 110,732</u>

See accompanying notes to the basic financial statements

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 196 noncertified and approximately 394 certified teaching personnel and administrative employees providing education to 5,496 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units*", in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. Based on the foregoing, there were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

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

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

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

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

The following fund types are used by the District:

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

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

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

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

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

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

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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

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

*Fiduciary Funds* – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore are not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The District's agency funds account for various student-managed activity programs, unclaimed funds, and the District's Section 125 Cafeteria Plan. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

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

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

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

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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

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

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by 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. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

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

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

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

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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

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

Current property taxes measurable at June 30, 2010, and which are not intended to finance fiscal 2010 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2010 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

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

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

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

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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

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

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

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

#### **1. Tax Budget**

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

#### **2. Estimated Resources**

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

#### **3. Appropriations**

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

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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

#### E. Budgetary Process (Continued)

##### 4. Lapsing of Appropriations

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

##### 5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	\$2,626,755
Increase (Decrease):	
Accrued Revenues at June 30, 2010, received during FY 2011	(3,901,101)
Accrued Revenues at June 30, 2009, received during FY 2010	2,172,797
Accrued Expenditures at June 30, 2010, paid during FY 2011	7,034,911
Accrued Expenditures at June 30, 2009, paid during FY 2010	(7,077,260)
FY 2009 Prepays for FY 2010	51,013
FY 2010 Prepays for FY 2011	(37,348)
Adjustment to Fair Value	(49,477)
Encumbrances Outstanding	(466,674)
Budget Basis	<u>\$353,616</u>

# **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

#### **F. Cash and Cash Equivalents**

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

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

#### **G. Investments**

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

The District has invested funds in STAR Ohio during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010. See Note 5, "Cash, Cash Equivalents and Investments."

#### **H. Inventory**

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

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

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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

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

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

##### 1. Property, Plant and Equipment – Governmental Activities

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

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

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

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

##### 3. Depreciation

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

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

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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

**K. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund
Energy Conservation Project	General Fund
Early Retirement Incentive	General Fund
Compensated Absences	General Fund, Food Services Fund and Day Care Fund
Capital Leases Payable	Permanent Improvement Fund

**L. Compensated Absences**

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

**M. Net Assets**

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

The District policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District did not have net assets restricted by enabling legislation at June 30, 2010.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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

#### **N. Pensions**

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

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

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

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

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

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

#### **Q. Estimates**

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

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

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

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**NOTE 2 – PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF NET ASSETS/FUND BALANCES**

During the fiscal year ended June 30, 2010, management of the District recognized the liability for employee health insurance in the Statement of Net Assets for Governmental Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances. The correction resulted in the restatement of net assets at June 30, 2009 of the Governmental Activities and the restatement of the fund balance of the General Fund as follows:

	Governmental Activities	General Fund Activities
Net Assets/Fund Balance at June 30, 2009 as reported	\$11,589,688	(\$1,701,485)
Restatement of Accrued Wages and Benefits	(616,177)	(616,177)
Net Assets/Fund Balance at June 30, 2009 as restated	\$10,973,511	(\$2,317,662)

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

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

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

Capital Outlay	\$878,065
Depreciation Expense	(3,630,648)
	(\$2,752,583)

*Governmental revenues not reported in the funds:*

Increase in Delinquent Tax Revenue	\$213,660
Decrease in Investment Earnings	(9,177)
Increase in Grants Receivable	57,258
	\$261,741

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

Bond Principal Payment	\$4,230,000
Energy Conservation Project	65,000
Capital Lease Payment	84,000
	\$4,379,000

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010*

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### **NOTE 4 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficits** - The fund deficits at June 30, 2010 of \$1,914 and \$3,342 in the Title I Subsidy Grant Fund and the Reducing Class Size Grant Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit of \$34,269 in Special Enterprise-Day Care Fund (enterprise funds) arose from the recognition of expenses on the accrual basis which are greater than expenses on the cash basis.

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

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

#### **A. Deposits**

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

At year end the carrying amount of the District's deposits was \$1,197,671 and the bank balance was \$1,225,697. Federal depository insurance covered \$357,483 of the bank balance and \$868,214 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	<u>\$868,214</u>
Total Balance	<u><u>\$868,214</u></u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

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

**B. Investments**

The District's investments at June 30, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3
STAR Ohio	\$91,331	AAAm <sup>1</sup>	\$91,331	\$0
Money Market Funds	8,381,247	AAA <sup>1</sup>	8,381,247	0
FNMA*	1,000,500	AAA <sup>1</sup> , Aaa <sup>2</sup>	0	1,000,500
FHLB*	500,000	AAA <sup>1</sup> , Aaa <sup>2</sup>	500,000	0
Total Investments	<u>\$9,973,078</u>		<u>\$8,972,578</u>	<u>\$1,000,500</u>

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

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

\* Call dates are: FNMA—March 18, 2011; FHLB— called on August 18, 2010.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The District's policy attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific obligation or debt of the District, investments of the District will be limited to those maturing in five years or less from the date of the settlement.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 10% are FNMA and 5% are FHLB.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

*Investment Credit Risk* – The District has no investment policy that limits its investment choices other than the limitation of State statute for "interim" funds described previously.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

### NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2010 were levied in April 2009 on assessed values as of January 1, 2009, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2007. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on values as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold districts harmless by replacing a portion of the revenue lost by the District due to the phasing out of the tax. In fiscal years 2006-2009, the District was fully reimbursed for the lost revenue. In fiscal years 2010-2018, the District will not be reimbursed for the lost revenue.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marysville Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2010, upon which the 2009 levies were based, were as follows:

	Assessed Values for Collection in:	
	2009 Second Half	2010 First Half
Agricultural/Residential and Other Real Estate	\$652,650,370	\$641,830,750
Public Utility Personal	35,623,300	35,008,550
Tangible Personal Property	49,496,270	0
Total Assessed Value	<u>\$737,769,940</u>	<u>\$676,839,300</u>
Tax rate per \$1,000 of assessed valuation	\$58.06	\$58.06

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accounts, intergovernmental, and interest receivables.

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Following is a summary of interfund receivables and payables for all funds at June 30, 2010:

	Interfund Loans Receivables	Interfund Loans Payables
General Fund	\$3,108	\$0
Nonmajor Governmental Funds	0	3,108
Totals	<u>\$3,108</u>	<u>\$3,108</u>

The Interfund Loan is a short-term loan to cover temporary cash deficits.

**NOTE 9 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for fiscal year 2010:

Fund	Transfers In	Transfers Out
General Fund	\$750	\$69,926
Nonmajor Governmental Funds	73,962	4,786
Total All Funds	<u>\$74,712</u>	<u>\$74,712</u>

Transfers from the General Fund were used to provide additional resources for the District's various other governmental special revenue grant funds. Transfers from Other Governmental Funds to the General Fund were related to Federal Emergency Management Agency reimbursements from prior years. Transfers between Other Governmental Funds were to properly account for program expenditures in the applicable grant fund.

# MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

### NOTE 10 - CAPITAL ASSETS

#### A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2010:

*Historical Cost:*

Class	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<i>Capital Assets not being depreciated:</i>				
Land	\$6,355,496	\$0	\$0	\$6,355,496
<i>Capital Assets being depreciated:</i>				
Land Improvements	4,336,374	32,193	0	4,368,567
Buildings and Improvements	114,961,895	0	0	114,961,895
Furniture, Fixtures and Equipment	15,518,365	654,219	(137,707)	16,034,877
Vehicles	2,809,607	191,653	0	3,001,260
Subtotal	<u>137,626,241</u>	<u>878,065</u>	<u>(137,707)</u>	<u>138,366,599</u>
Total Cost	<u>\$143,981,737</u>	<u>\$878,065</u>	<u>(\$137,707)</u>	<u>\$144,722,095</u>

*Accumulated Depreciation:*

Class	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Land Improvements	(\$2,468,241)	(\$196,886)	\$0	(\$2,665,127)
Buildings and Improvements	(17,492,664)	(2,304,603)	0	(19,797,267)
Furniture, Fixtures and Equipment	(10,392,168)	(901,957)	124,548	(11,169,577)
Vehicles	(1,538,749)	(227,202)	0	(1,765,951)
Total Depreciation	<u>(\$31,891,822)</u>	<u>(\$3,630,648) *</u>	<u>\$124,548</u>	<u>(\$35,397,922)</u>
<i>Net Value:</i>	<u>\$112,089,915</u>			<u>\$109,324,173</u>

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

Instruction	\$2,529,283
Support Services:	
Pupils	27,066
Instructional Staff	564,941
Board of Education	1,328
Administration	113,660
Fiscal Services	7,551
Business	12,212
Operations & Maintenance of Plant	61,077
Pupil Transportation	227,560
Central	103
Operation of Non-Instructional Services	7,108
Extracurricular Activities	78,759
Total Depreciation Expense	<u>\$3,630,648</u>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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

**A. Governmental Activities Capital Assets (Continued)**

At June 30, 2010 the District had two buildings which were not being utilized due to the opening of the new middle school building during fiscal year 2009. The old middle school building is scheduled to be renovated and reopened when necessary based on student enrollment and the East Elementary building will be reopened if necessary due to increased student enrollment or changes in the Kindergarten program. The carrying value of these two buildings at year end were \$3,053,707 and \$939,762, respectively.

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

Summary by Category at June 30, 2010:

***Historical Cost:***

Class	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Furniture and Equipment	\$1,598,701	\$8,279	\$0	\$1,606,980
Total Cost	<u>\$1,598,701</u>	<u>\$8,279</u>	<u>\$0</u>	<u>\$1,606,980</u>

***Accumulated Depreciation:***

Class	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Furniture and Equipment	(\$714,771)	(\$88,091)	\$0	(\$802,862)
Total Depreciation	<u>(\$714,771)</u>	<u>(\$88,091)</u>	<u>\$0</u>	<u>(\$802,862)</u>
<b><i>Net Value:</i></b>	<u>\$883,930</u>			<u>\$804,118</u>

**NOTE 11- DEFINED BENEFIT PENSION PLANS**

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

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

##### **A. School Employee Retirement System** (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,036,341, \$803,751 and \$782,646 respectively, which were equal to the required contributions for each year.

##### **B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

##### **B. State Teachers Retirement System** (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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, 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 fiscal year 2009, 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 percent for members and 14 percent 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 to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,895,483, \$3,031,604, and \$3,075,239 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2010 were \$48,657 made by the District and \$101,653 made by the plan members.

#### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. School Employee Retirement System (Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$152,325, \$483,651, and \$512,121 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$61,929, \$66,979, and \$56,392 respectively; which were equal to the required contributions for each year.

##### **B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$222,729, \$233,200, and \$236,557 respectively; which were equal to the required contributions for each year.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010**

#### **NOTE 13 - NOTES PAYABLE**

Notes Payable activity of the District for the year ended June 30, 2010, was as follows:

Note Payable	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Energy Conservation Note 2.875%	\$695,000	\$0	(\$695,000)	\$0
Energy Conservation Note 2.000%	0	645,000	0	645,000
	<u>\$695,000</u>	<u>\$645,000</u>	<u>(\$695,000)</u>	<u>\$645,000</u>

#### **NOTE 14 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the bonds, energy conservation project, compensated absences, early retirement incentive, and capital leases of the District for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Issued	(Retired)	Balance June 30, 2010	Due Within One Year
<b>Governmental Activities</b>					
(General Obligation Bonds)					
Refunding New Elementary 3.4-5.15%	\$6,422,973	\$0	(\$610,000)	\$5,812,973	\$690,000
Fifth/Sixth Elementary 5.79%	1,334,222	0	(175,000)	1,159,222	235,000
New Elementary and Middle School 4.35-5.375%	674,995	0	(215,000)	459,995	225,000
Refunding Fifth/Sixth Elementary 3.60%	11,939,974	0	(220,000)	11,719,974	230,000
Refunding New High School 1.2-14.16%	574,999	0	(465,000)	109,999	109,999
Refunding School Improvement 3.25-5%	37,764,966	0	(1,325,000)	36,439,966	1,370,000
School Improvement/Refunding 3.5-5%	38,314,984	0	(1,220,000)	37,094,984	1,455,000
Sub-total General Obligation Bonds	97,027,113	0	(4,230,000)	92,797,113	4,314,999
Premium on Bonds	3,171,272	0	(151,013)	3,020,259	0
Deferred Amount on Refunding	(2,265,374)	0	107,875	(2,157,499)	0
Interest Accretion	4,765,802	1,203,412	0	5,969,214	156,156
Total General Obligation Bonds	102,698,813	1,203,412	(4,273,138)	99,629,087	4,471,155
Energy Conservation Project 3.4-4.85%	550,000	0	(65,000)	485,000	70,000
Compensated Absences	2,795,053	1,082,145	(761,787)	3,115,411	685,697
Early Retirement Incentive	120,000	0	(120,000)	0	0
Capital Leases Payable	1,595,000	0	(84,000)	1,511,000	87,000
Total Governmental Activities	<u>\$107,758,866</u>	<u>\$2,285,557</u>	<u>(\$5,303,925)</u>	<u>\$104,740,498</u>	<u>\$5,313,852</u>
<b>Business-Type Activities</b>					
Compensated Absences	\$45,289	\$34,692	(\$16,399)	\$63,582	\$11,458
Total Business-Type Activities	<u>\$45,289</u>	<u>\$34,692</u>	<u>(\$16,399)</u>	<u>\$63,582</u>	<u>\$11,458</u>

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

#### **NOTE 14 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

##### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2010, follows:

Years	General Obligation Bonds		Energy Conservation Project		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$4,314,998	\$4,188,895	\$70,000	\$22,280	\$4,384,998	\$4,211,175
2012	3,966,509	4,154,245	75,000	18,309	4,041,509	4,172,554
2013	3,129,497	5,011,949	80,000	14,550	3,209,497	5,026,499
2014	3,129,680	5,002,345	85,000	10,549	3,214,680	5,012,894
2015	2,456,855	5,753,501	85,000	6,426	2,541,855	5,759,927
2016-2020	15,581,745	25,054,786	90,000	2,183	15,671,745	25,056,969
2021-2025	24,562,829	16,157,516	0	0	24,562,829	16,157,516
2026-2030	35,655,000	4,328,657	0	0	35,655,000	4,328,657
Totals	<u>\$92,797,113</u>	<u>\$69,651,894</u>	<u>\$485,000</u>	<u>\$74,297</u>	<u>\$93,282,113</u>	<u>\$69,726,191</u>

##### **B. Defeased Debt**

In December 1993, the District defeased \$6,165,000 of General Obligation Bonds for the High School Building, dated April 1, 1990, through the issuance of \$6,084,999 of General Obligation Bonds for the High School Building. The net proceeds of the 1993 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$620,000 at June 30, 2010, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2001, the District defeased \$7,669,538 of General Obligation Bonds for the New Elementary Additions, dated October 1, 1995, through the issuance of \$7,667,973 of General Obligation Bonds for the New Elementary Additions. The net proceeds of the 2001 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$5,609,538 at June 30, 2010, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 14 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

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

In March 2002, the District defeased \$13,335,000 of General Obligation Bonds for the Fifth/Sixth Elementary Building, dated March 1, 2000, through the issuance of \$13,334,974 of General Obligation Bonds for the Fifth/Sixth Elementary Building. The net proceeds of the 2002 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,335,000 at June 30, 2010, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In September 2005, the District defeased \$41,425,000 of Certificates of Participation for School Improvements, dated March 2, 2005, through the issuance of \$40,284,966 of General Obligation Bonds for School Improvements. The net proceeds of the 2005 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded certificates. The refunded certificates, which have an outstanding balance of \$38,425,000 at June 30, 2010, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In February 2006, the District defeased \$12,350,000 of General Obligation Bonds for New Elementary and Raymond Middle School Improvements, dated December 1, 2000, through the issuance of \$12,349,984 of General Obligation Bonds for School Improvements. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$12,350,000 at June 30, 2010, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

#### **NOTE 15 - CAPITALIZED LEASES**

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

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2010:

Year Ending June 30,	Capital Leases
2011	\$154,692
2012	155,735
2013	155,514
2014	155,070
2015	154,426
2016-2020	772,850
2021-2023	464,202
Minimum Lease Payments	2,012,489
Less: Amount representing interest at the District's incremental borrowing rate of interest	(501,489)
Present Value of minimum lease payments	\$1,511,000

#### **NOTE 16 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. During fiscal year 2010 the District contracted with Ohio Casualty Insurance Company for various insurance coverages, as follows:

Coverage	Deductible	Aggregate
	\$500/Comprehensive	
Fleet Insurance	\$500/Collision	\$1,000,000
Buildings and Contents	\$1,000	\$185,590,834
School District Liability	\$0	\$2,000,000
Employee Benefits Liability	\$1,000	\$3,000,000
School Leaders Errors and Omissions	\$2,500	\$1,000,000
Umbrella Policy	\$0	\$5,000,000
Crime	\$1,000	\$100,000
Miscellaneous	\$500	\$1,573,792
Computers	\$500	\$5,136,962

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

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

## **MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 17 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2010, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2009	\$0	\$0	\$0
Current Year Set-Aside Requirement	860,964	860,964	1,721,928
Qualifying Off-sets	(418,958)	(3,159,493)	(3,578,451)
Qualifying Disbursements	<u>(554,556)</u>	<u>(37,010)</u>	<u>(591,566)</u>
Total	<u>(\$112,550)</u>	<u>(\$2,335,539)</u>	<u>(\$2,448,089)</u>
Cash Balance Carried Forward to FY 2011	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

#### **NOTE 18 – CONSTRUCTION COMMITMENTS**

As of June 30, 2010, the District had the following commitment with respect to capital projects:

<u>Capital Projects</u>	<u>Amount Remaining</u>	<u>Estimated Date of Completion</u>
Middle School Renovation Architect Fees	\$107,177	To be determined

#### **NOTE 19 - CONTINGENCIES**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
National School Breakfast Program	N/A	10.553	\$ 88,232	\$ -	\$ 88,232	\$ -
National School Lunch Program	N/A	10.555	525,430	114,123	525,430	114,123
Total Nutrition Cluster			<u>613,662</u>	<u>114,123</u>	<u>613,662</u>	<u>114,123</u>
Team Nutrition Grants	N/A	10.574	2,000	-	2,000	-
Total U.S. Department of Agriculture			<u>615,662</u>	<u>114,123</u>	<u>615,662</u>	<u>114,123</u>
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	N/A	84.010	450,391	-	445,398	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	N/A	84.389	140,733	-	114,321	-
Total Title I Cluster			<u>591,124</u>	<u>-</u>	<u>559,719</u>	<u>-</u>
Special Education Cluster:						
Special Education - Grants to States	N/A	84.027	863,842	-	832,014	-
Special Education - Preschool Grants	N/A	84.173	6,254	-	6,254	-
ARRA Special Education Grants to States, Recovery Act	N/A	84.391	443,750	-	347,767	-
ARRA Special Education Preschool Grants, Recovery Act	N/A	84.392	32,337	-	26,980	-
Total Special Education Cluster			<u>1,346,183</u>	<u>-</u>	<u>1,213,015</u>	<u>-</u>
Safe and Drug Free Schools and Communities - State Grants	N/A	84.186	11,641	-	11,147	-
State Grants for Innovative Programs	N/A	84.298	319	-	700	-
Education Technology State Grants	N/A	84.318	337	-	-	-
Integrated Education Systems	N/A	84.323	-	-	562	-
English Language Acquisition Grants	N/A	84.365	688	5,448	688	5,448
Improving Teacher Quality State Grants	N/A	84.367	148,179	-	154,115	-
School Improvement Grants	N/A	84.377	7,307	-	9,211	-
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	N/A	84.394	979,872	-	979,872	-
Total U.S. Department of Education			<u>3,085,650</u>	<u>5,448</u>	<u>2,929,029</u>	<u>5,448</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b> <i>Passed Through Ohio Department of Transportation</i>						
ARRA - Highway Planning and Construction (Safe Routes to Schools), Recovery Act	85671	20.205	854	-	854	-
Total U.S. Department of Transportation			<u>854</u>	<u>-</u>	<u>854</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>\$ 3,702,166</u>	<u>\$ 119,571</u>	<u>\$ 3,545,545</u>	<u>\$ 119,571</u>

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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**

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

**NOTE C – FOOD DONATION PROGRAM**

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

The District used the services of DJ Co-ops to hold, process, and deliver its federal commodities at a nominal rate.

**NOTE D – NONCASH AWARDS**

The District had the following federal non-cash receipts and non-cash disbursements which were received and disbursed by the Educational Service Center of Central Ohio on behalf of the District for fiscal year 2010.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
English Language Acquisition Grants	84.365	\$5,448	\$5,448

**NOTE E – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Transferred from 2009 to 2010</u>
Safe & Drug Free Schools & Communities State Grants	84.186	\$ 35
Improving Teacher Quality State Grants	84.367	1,076
School Improvement Grants	84.377	2,018



**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  
Marysville Exempted Village School District  
1000 Edgewood Drive  
Marysville, Ohio 43040

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio (the District) as of and for the fiscal year ended June 30, 2010 which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2010, wherein we noted that the District restated accrued wages and benefits as discussed in Note 2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matter that we must report under *Government Auditing Standards*.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
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Marysville Exempted Village School District  
Union 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

However, we noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 20, 2010.

We intend this report solely for the information and use of management, the Board of Education, the Auditor of the State of Ohio, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 20, 2010



**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  
Marysville Exempted Village School District  
1000 Edgewood Drive  
Marysville, Ohio 43040

**Compliance**

We have audited the compliance of the Marysville Exempted Village School District, Union County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 Marysville Exempted Village School District, Union County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as Finding 2010-01.

**Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
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Marysville Exempted Village School District  
Union 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

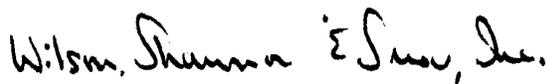
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and responses as item 2010-01. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We also noted a matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 20, 2010.

The District's response to the finding we identified is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Newark, Ohio  
December 20, 2010

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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

**JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in its internal control for major federal programs?</b>	Yes
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<p><b>Special Education Cluster:</b> Special Education Grants to States \ CFDA #84.027, Special Education Preschool Grants \ CFDA #84.173, Special Education Grants to States, Recovery Act \ CFDA #84.391, and Special Education Preschool Grants, Recovery Act \ CFDA #84.392.</p> <p><b>Title I Cluster:</b> Title I Grants to Local Educational Agencies\ CFDA #84.010, and Title I Grants to Local Educational Agencies, Recovery Act \ CFDA #84.389.</p> <p>State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act \CFDA #84.394.</p>

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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

**JUNE 30, 2010**

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

<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

Finding Number	2010-01
CFDA Title and Number	<b>Special Education Cluster:</b> Special Education Grants to States \ CFDA #84.027, Special Education Preschool Grants \ CFDA #84.173, Special Education Grants to States, Recovery Act \ CFDA #84.391, and Special Education Preschool Grants, Recovery Act \ CFDA #84.392.  <b>Title I Cluster:</b> Title I Grants to Local Educational Agencies\ CFDA #84.010, and Title I Grants to Local Educational Agencies, Recovery Act \ CFDA #84.389.
Federal Award Number/Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Reporting**

Section 1512 of the American Recovery Reinvestment Act (ARRA), as required by the Federal Office of Management and Budget, requires testing for prime recipients. Although the District is not considered a prime recipient of ARRA money, the Ohio Department of Education requires Section 1512 testing for any school/entity receiving ARRA-Special Education Grants to States, Recovery Act and ARRA - Title I Grants to Local Educational Agencies, Recovery Act money from the Ohio Department of Education (ODE).

ODE requires that any vendor which receives a single payment greater than \$25,000 must report the expenditure on the ODE ARRA Subrecipient Vendor Report. Furthermore, ODE requires the District to develop internal controls to ensure 1512 Full-Time Equivalency (FTE) information is reasonable and complete.

We noted the following expenditures paid by the District with ARRA-Special Education Grants to States, Recovery Act and ARRA - Title I Grants to Local Educational Agencies, Recovery Act money which were not reported on the ODE ARRA Subrecipient Vendor Report:

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
UNION COUNTY**

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

**JUNE 30, 2010**

**3. FINDINGS FOR FEDERAL AWARDS - Continued**

Finding Number	2010-01 (Continued)
CFDA Title and Number	<b>Special Education Cluster:</b> Special Education Grants to States \ CFDA #84.027, Special Education Preschool Grants \ CFDA #84.173, Special Education Grants to States, Recovery Act \ CFDA #84.391, and Special Education Preschool Grants, Recovery Act \ CFDA #84.392.  <b>Title I Cluster:</b> Title I Grants to Local Educational Agencies\ CFDA #84.010, and Title I Grants to Local Educational Agencies, Recovery Act \ CFDA #84.389.
Federal Award Number/Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Title I Cluster**

<u>Date</u>	<u>Check #</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
10/23/09	105344	Heinemann	\$28,569	Level Literacy Intervention Materials

**Special Education Cluster**

<u>Date</u>	<u>Check #</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
10/09/09	105070	NWEA	\$26,380	On-Site Administration Workshop
03/05/10	106814	Logical Choice Technologies	37,939	Technology Learning Equipment

We recommend the District develop policies and procedures to address the Reporting compliance requirements set forth by the Ohio Department of Education 1512 ARRA reporting requirements.

**Official's Response:** The District has implemented procedures and has properly reported expenditures related to 1512 reporting for fiscal year 2010 and future years.



# Dave Yost • Auditor of State

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 24, 2011**