



**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2013



Dave Yost • Auditor of State

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The management's 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, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position increased \$3,954,229. Net position of governmental activities increased \$3,958,008, which represents a 38.93 percent increase from 2012 as restated in Note 3.A. Net position of business-type activities decreased \$3,779 or 9.63 percent from 2012.
- General revenues accounted for \$55,266,289 in revenue or 87.75 percent of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$7,715,701 or 12.25 percent of total governmental activities revenues of \$62,981,990.
- The District had \$59,023,982 in expenses related to governmental activities; only \$7,715,701 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$55,266,289 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and permanent improvement fund. The general fund had \$47,930,979 in revenues and other financing uses and \$46,157,835 in expenditures and other financing uses. The fund balance of the general fund increased from a deficit of \$2,273,743 to a deficit of \$500,599.
- Another major governmental fund is the bond retirement fund. The bond retirement fund had \$19,710,080 in revenues and other financing sources and \$19,359,589 in expenditures and other financing uses. The fund balance of the bond retirement fund increased from \$281,578 to \$632,069.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$5,146,773 in revenues and other financing sources and \$3,810,029 in expenditures and other financing uses. The fund balance of the permanent improvement fund increased from \$3,945,169 to \$5,281,913.

Using this Financial Report

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has three major governmental funds: the general fund, bond retirement fund and the permanent improvement fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues* and *expenses* except for fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's special enterprise-day care programs are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary Fund

The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The proprietary fund financial statements can be found on pages 24-26 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 27 and 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-60 of this report.

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2013 and 2012. The District restated net position at June 30, 2012 as described in Note 3.A. Certain liabilities have been reclassified to conform to current year presentation due to guidance from GASB Statement No. 63 and GASB Statement No. 65.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	2012	2013	Restated 2012
<u>Assets</u>						
Current assets	\$ 41,360,723	\$ 40,181,340	\$ 102,131	\$ 87,586	\$ 41,462,854	\$ 40,268,926
Capital assets, net	<u>101,278,756</u>	<u>103,714,441</u>	-	-	<u>101,278,756</u>	<u>103,714,441</u>
Total assets	<u>142,639,479</u>	<u>143,895,781</u>	<u>102,131</u>	<u>87,586</u>	<u>142,741,610</u>	<u>143,983,367</u>
<u>Deferred Outflows of Resources</u>						
	<u>2,177,057</u>	<u>1,941,749</u>	-	-	<u>2,177,057</u>	<u>1,941,749</u>
<u>Liabilities</u>						
Current liabilities	7,734,836	7,777,882	54,556	37,735	7,789,392	7,815,617
Long-term liabilities	<u>99,516,292</u>	<u>101,779,161</u>	<u>12,124</u>	<u>10,621</u>	<u>99,528,416</u>	<u>101,789,782</u>
Total liabilities	<u>107,251,128</u>	<u>109,557,043</u>	<u>66,680</u>	<u>48,356</u>	<u>107,317,808</u>	<u>109,605,399</u>
<u>Deferred Inflows of Resources</u>						
	<u>23,440,604</u>	<u>26,113,691</u>	-	-	<u>23,440,604</u>	<u>26,113,691</u>
<u>Net Position</u>						
Net investment in capital assets	15,725,573	16,205,352	-	-	15,725,573	16,205,352
Restricted	7,719,807	6,494,391	-	-	7,719,807	6,494,391
Unrestricted (deficit)	<u>(9,320,576)</u>	<u>(12,532,947)</u>	<u>35,451</u>	<u>39,230</u>	<u>(9,285,125)</u>	<u>(12,493,717)</u>
Total net position	<u>\$ 14,124,804</u>	<u>\$ 10,166,796</u>	<u>\$ 35,451</u>	<u>\$ 39,230</u>	<u>\$ 14,160,255</u>	<u>\$ 10,206,026</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The table below shows the changes in net position for fiscal years 2013 and 2012. The District restated net position at June 30, 2012 as described in Note 3.A.

Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2013	Restated 2012	2013	2012	2013	Restated 2012
Revenues						
Program revenues:						
Charges for services and sales	\$ 2,851,418	\$ 2,695,597	\$ 431,871	\$ 420,230	\$ 3,283,289	\$ 3,115,827
Operating grants and contributions	4,864,283	4,666,911	-	-	4,864,283	4,666,911
Capital grants and contributions	-	186,143	-	-	-	186,143
General revenues:						
Property taxes	29,690,360	25,786,157	-	-	29,690,360	25,786,157
Payment in lieu of taxes	1,180,263	1,387,231	-	-	1,180,263	1,387,231
Grants and entitlements not restricted	24,040,003	24,768,158	-	-	24,040,003	24,768,158
Investment earnings	27,292	28,148	-	-	27,292	28,148
Miscellaneous	328,371	235,246	-	-	328,371	235,246
Total revenues	<u>62,981,990</u>	<u>59,753,591</u>	<u>431,871</u>	<u>420,230</u>	<u>63,413,861</u>	<u>60,173,821</u>

The biggest increase in revenues was for property taxes. Property taxes increased \$3,904,203 due to the amount of taxes available as an advance and reported as revenue. The tax advance available is reported as revenue in the basic financial statements. The amount of taxes available as an advance can vary depending on when tax bills are sent to the taxpayer.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 85.31 percent of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Change in Net Position (Continued)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2013	Restated 2012	2013	2012	2013	Restated 2012
<u>Expenses</u>						
Program expenses:						
Instruction:	\$ 30,258,056	\$ 31,467,498	\$ -	\$ -	\$ 30,258,056	\$ 31,467,498
Support services:						
Pupil	3,595,897	3,639,390	-	-	3,595,897	3,639,390
Instructional staff	4,280,666	4,437,030	-	-	4,280,666	4,437,030
Board of education	187,705	163,064	-	-	187,705	163,064
Administration	3,616,942	3,561,476	-	-	3,616,942	3,561,476
Fiscal	1,190,190	1,214,419	-	-	1,190,190	1,214,419
Business	604,923	665,989	-	-	604,923	665,989
Operations and maintenance	4,267,731	4,674,745	-	-	4,267,731	4,674,745
Pupil transportation	2,359,898	2,424,530	-	-	2,359,898	2,424,530
Central	510,626	327,359	-	-	510,626	327,359
Operation of non-instructional services:						
Other non-instructional services	195,093	98,409	-	-	195,093	98,409
Food service operations	2,181,190	2,268,262	-	-	2,181,190	2,268,262
Extracurricular activities	1,081,565	1,102,263	-	-	1,081,565	1,102,263
Interest and fiscal charges	4,534,036	4,973,679	-	-	4,534,036	4,973,679
Bond issue costs	159,464	-	-	-	159,464	-
Special enterprise-day care	-	-	435,650	392,749	435,650	392,749
Total expenses	<u>59,023,982</u>	<u>61,018,113</u>	<u>435,650</u>	<u>392,749</u>	<u>59,459,632</u>	<u>61,410,862</u>
Changes in net position	3,958,008	(1,264,522)	(3,779)	27,481	3,954,229	(1,237,041)
Net position at beginning of year (restated)	<u>10,166,796</u>	<u>11,431,318</u>	<u>39,230</u>	<u>11,749</u>	<u>10,206,026</u>	<u>11,443,067</u>
Net position at end of year	<u>\$ 14,124,804</u>	<u>\$ 10,166,796</u>	<u>\$ 35,451</u>	<u>\$ 39,230</u>	<u>\$ 14,160,255</u>	<u>\$ 10,206,026</u>

Governmental Activities

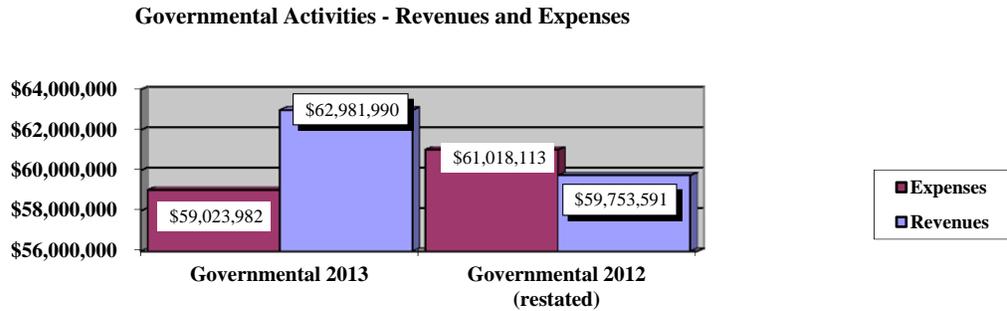
Net position of the District's governmental activities increased \$3,958,008. Total governmental expenses of \$59,023,982 were offset by program revenues of \$7,715,701, and general revenues of \$55,266,289. Program revenues supported 13.07 percent of the total governmental expenses.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$30,258,056 or 51.26 percent of total governmental expenses for fiscal year 2013. The District was able to decrease instruction expenses by \$1,209,442 due to attrition of staff.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.



The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The District restated net position at June 30, 2012 as described in Note 3.A.

Governmental Activities

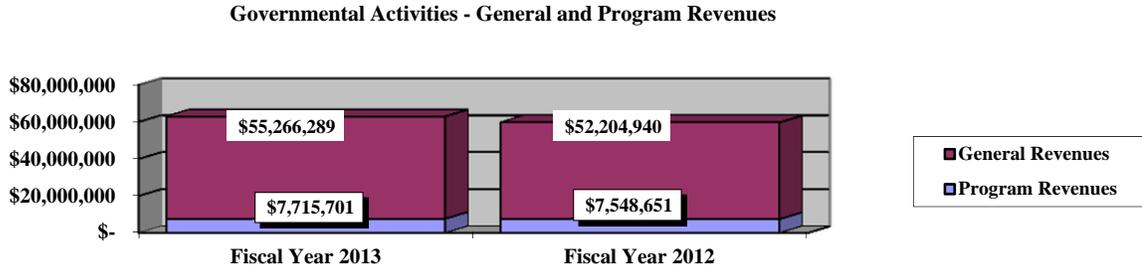
	Total Cost of Services 2013	Net Cost of Services 2013	Restated Total Cost of Services 2012	Restated Net Cost of Services 2012
Instruction:	\$ 30,258,056	\$ 26,398,822	\$ 31,467,498	\$ 27,631,975
Support services:				
Pupil	3,595,897	3,327,250	3,639,390	3,466,954
Instructional staff	4,280,666	4,013,326	4,437,030	4,261,892
Board of education	187,705	187,705	163,064	163,064
Administration	3,616,942	3,386,058	3,561,476	3,384,088
Fiscal	1,190,190	1,190,190	1,214,419	1,214,419
Business	604,923	604,923	665,989	665,989
Operations and maintenance	4,267,731	4,151,178	4,674,745	4,523,157
Pupil transportation	2,359,898	2,228,020	2,424,530	2,297,589
Central	510,626	506,536	327,359	318,512
Operation of non-instructional services:				
Other non-instructional services	195,093	40,421	98,409	(55,307)
Food service operations	2,181,190	99,625	2,268,262	82,890
Extracurricular activities	1,081,565	480,727	1,102,263	540,561
Interest and fiscal charges	4,534,036	4,534,036	4,973,679	4,973,679
Bond issue costs	159,464	159,464	-	-
Total expenses	\$ 59,023,982	\$ 51,308,281	\$ 61,018,113	\$ 53,469,462

The dependence upon tax revenues during fiscal year 2013 for governmental activities is apparent, as 87.25 percent of 2013 instruction activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.



Business-Type Activities

Business-type activities include the special enterprise-day care operations. This program had revenues of \$431,871 and expenses of \$435,650 for fiscal year 2013. The District's business-type activities do not receive support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$7,776,748, which is \$3,668,789 higher than last year's total of \$4,107,959. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance (Deficit) <u>June 30, 2013</u>	Fund Balance (Deficit) <u>June 30, 2012</u>	<u>Increase</u>
General	\$ (500,599)	\$ (2,273,743)	\$ 1,773,144
Bond retirement	632,069	281,578	350,491
Permanent improvement	5,281,913	3,945,169	1,336,744
Other governmental	<u>2,363,365</u>	<u>2,154,955</u>	<u>208,410</u>
Total	<u>\$ 7,776,748</u>	<u>\$ 4,107,959</u>	<u>\$ 3,668,789</u>

General Fund

The District's general fund balance increased \$1,773,144 during fiscal year 2013. The table that follows assists in illustrating the revenues of the general fund.

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 23,014,389	\$ 19,916,777	15.55 %
Intergovernmental	23,224,158	23,693,522	(1.98) %
Other revenues	<u>1,670,326</u>	<u>1,360,758</u>	22.75 %
Total	<u>\$ 47,908,873</u>	<u>\$ 44,971,057</u>	6.53 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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Tax revenue increased 15.55 percent. This increase is primarily due to the fluctuation in the amount of taxes available as an advance, and reported as revenue, at the end of the fiscal years 2012 and 2013. The amount of taxes available for advance is determined by timing of the tax bills sent by the County auditor. Intergovernmental revenue remained relatively unchanged, with a decrease of only 1.98 percent. Other revenues increased 22.75 percent which is primarily due to an increase in tuition revenues of \$233,340. The other revenues in this category remained relatively unchanged with an increase of only 6.71 percent.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 26,945,650	\$ 26,515,429	1.62 %
Support services	18,301,166	18,614,968	(1.69) %
Operation of non-instructional services	22,232	390	5,600.51 %
Extracurricular activities	725,497	735,436	(1.35) %
Debt service	<u>88,245</u>	<u>93,309</u>	(5.43) %
Total	<u>\$ 46,082,790</u>	<u>\$ 45,959,532</u>	0.27 %

Instruction expenditures remained relatively consistent with 2013 experiencing increases primarily attributable to anticipated salary/wage increases offset by the attrition of staff. The decrease in support services is due to the District trying to tightly control costs. Overall the expenditures of the General Fund increased just 0.27 percent during fiscal year 2013.

Bond Retirement Fund

Another major governmental fund is the bond retirement fund. The bond retirement fund had \$19,710,080 in revenues and other financing sources and \$19,359,589 in expenditures and other financing uses. The fund balance of the bond retirement fund increased from \$281,578 to \$632,069. During the year the District took advantage of lower interest rates to currently refund and advance refund general obligation bonds in the amount of \$10,835,000 and \$515,000, respectively.

Permanent Improvement Fund

The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$5,146,773 in revenues and other financing sources and \$3,810,029 in expenditures and other financing uses. The permanent improvement fund received \$1,000,939 in proceeds from a capital lease transaction for computer networking technology. The fund balance of the permanent improvement fund increased from \$3,945,169 to \$5,281,913 during fiscal year 2013.

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 2013, the District amended its general fund budget. For the general fund, final budgeted revenues and other financing sources of \$46,165,593 were \$500,000 more than original budgeted revenues and other financing sources of \$45,665,593. Actual revenues and other financing sources of \$46,119,053 were \$46,540 below the final budget.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

General fund final appropriations were \$46,769,862 which was higher than original appropriations by \$665,181. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$46,736,306, which was \$33,556 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$101,278,756 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. \$101,278,756 was reported in the governmental activities. The business-type activities assets became fully depreciated during fiscal year 2012. The following table shows fiscal year 2013 balances compared to 2012:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 6,355,496	\$ 6,355,496	\$ -	\$ -	\$ 6,355,496	\$ 6,355,496
Land improvements	1,169,426	1,335,649	-	-	1,169,426	1,335,649
Buildings and improvements	88,252,567	90,557,483	-	-	88,252,567	90,557,483
Furniture, fixtures and equipment	4,540,501	4,367,741	-	-	4,540,501	4,367,741
Vehicles	960,766	1,098,072	-	-	960,766	1,098,072
Total	\$ 101,278,756	\$ 103,714,441	\$ -	\$ -	\$ 101,278,756	\$ 103,714,441

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2013 the District had \$91,470,931 in general obligation bonds, capital leases, energy conservation project notes and loans payable outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total debt outstanding, \$3,283,950 is due within one year and \$88,186,981 is due in more than one year. The table that follows summarizes the bonds, leases, notes and loans outstanding:

Outstanding Debt, at June 30

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current interest bonds	\$ 72,835,000	\$ 75,860,000
Capital appreciation bonds	8,451,107	8,655,605
Capital appreciation bonds - accreted interest	7,747,202	7,858,325
Capital lease	2,155,516	1,332,000
Energy conservation project	260,000	340,000
Loan payable	22,106	-
Total	\$ 91,470,931	\$ 94,045,930

See Note 11 to the basic financial statements for detail on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Current Financial Related Activities

The District relies on its property taxes and state foundation funds to provide the funds necessary to maintain its educational programs. The enrollment growth experienced in the previous two decades has slowed possibly due in part to the economic downturn. Current enrollment is just under 5,300. The economy and housing market appear to be improving, which could lead to enrollment growth.

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 was eliminated in 2009 and the tax on telephone in 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 tax 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, the District will see no growth from tangible personal property revenues since the payment is calculated on a 2004 base year.

In November 2009, District residents passed a renewal of an existing 6.56 mill levy. In May 2013, District residents approved a levy and the District's financial outlook is currently stable.

In conclusion, the District has committed itself to financial excellence for many years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to 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, Marysville Exempted Village School District, 1000 Edgewood Drive, Marysville, Ohio 43040.

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

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 11,012,548	\$ 102,131	\$ 11,114,679
Investments.	250,538	-	250,538
Receivables:			
Property taxes	28,491,513	-	28,491,513
Payment in lieu of taxes	895,240	-	895,240
Accounts	1,761	-	1,761
Accrued interest	1,398	-	1,398
Intergovernmental	623,746	-	623,746
Prepayments	71,169	-	71,169
Materials and supplies inventory.	12,810	-	12,810
Capital assets:			
Nondepreciable capital assets	6,355,496	-	6,355,496
Depreciable capital assets, net.	94,923,260	-	94,923,260
Capital assets, net	<u>101,278,756</u>	<u>-</u>	<u>101,278,756</u>
Total assets.	<u>142,639,479</u>	<u>102,131</u>	<u>142,741,610</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refundings	<u>2,177,057</u>	<u>-</u>	<u>2,177,057</u>
Liabilities:			
Accounts payable.	467,984	4,793	472,777
Accrued wages and benefits payable	5,214,129	16,605	5,230,734
Intergovernmental payable	301,450	1,832	303,282
Pension obligation payable.	985,084	31,326	1,016,410
Accrued interest payable	271,189	-	271,189
Notes payable	495,000	-	495,000
Long-term liabilities:			
Due within one year.	4,753,156	7,394	4,760,550
Due in more than one year.	94,763,136	4,730	94,767,866
Total liabilities	<u>107,251,128</u>	<u>66,680</u>	<u>107,317,808</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year . .	22,545,364	-	22,545,364
Payment in lieu of taxes levied for the next fiscal year	<u>895,240</u>	<u>-</u>	<u>895,240</u>
Total deferred inflows of resources	<u>23,440,604</u>	<u>-</u>	<u>23,440,604</u>
Net position:			
Net investment in capital assets	15,725,573	-	15,725,573
Restricted for:			
Capital projects	7,302,458	-	7,302,458
Food service operations	162,144	-	162,144
Student activities	151,955	-	151,955
Locally funded programs	33,243	-	33,243
State funded programs.	8,945	-	8,945
Federally funded programs	61,062	-	61,062
Unrestricted (deficit)	<u>(9,320,576)</u>	<u>35,451</u>	<u>(9,285,125)</u>
Total net position.	<u>\$ 14,124,804</u>	<u>\$ 35,451</u>	<u>\$ 14,160,255</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:						
Instruction:						
Regular	\$ 23,040,221	\$ 638,113	\$ 304,953	\$ (22,097,155)	\$ -	\$ (22,097,155)
Special	6,029,538	99,790	2,705,693	(3,224,055)	-	(3,224,055)
Vocational	662,396	-	110,685	(551,711)	-	(551,711)
Other	525,901	-	-	(525,901)	-	(525,901)
Support services:						
Pupil	3,595,897	153,706	114,941	(3,327,250)	-	(3,327,250)
Instructional staff	4,280,666	4,165	263,175	(4,013,326)	-	(4,013,326)
Board of education	187,705	-	-	(187,705)	-	(187,705)
Administration	3,616,942	-	230,884	(3,386,058)	-	(3,386,058)
Fiscal	1,190,190	-	-	(1,190,190)	-	(1,190,190)
Business	604,923	-	-	(604,923)	-	(604,923)
Operations and maintenance	4,267,731	116,217	336	(4,151,178)	-	(4,151,178)
Pupil transportation	2,359,898	17,943	113,935	(2,228,020)	-	(2,228,020)
Central	510,626	233	3,857	(506,536)	-	(506,536)
Operation of non-instructional services:						
Other non-instructional services	195,093	-	154,672	(40,421)	-	(40,421)
Food service operations	2,181,190	1,220,538	861,027	(99,625)	-	(99,625)
Extracurricular activities	1,081,565	600,713	125	(480,727)	-	(480,727)
Interest and fiscal charges	4,534,036	-	-	(4,534,036)	-	(4,534,036)
Bond issue costs	159,464	-	-	(159,464)	-	(159,464)
Total governmental activities	<u>59,023,982</u>	<u>2,851,418</u>	<u>4,864,283</u>	<u>(51,308,281)</u>	<u>-</u>	<u>(51,308,281)</u>
Business-type activities:						
Special enterprise - day care	<u>435,650</u>	<u>431,871</u>	<u>-</u>	<u>-</u>	<u>(3,779)</u>	<u>(3,779)</u>
Totals	<u>\$ 59,459,632</u>	<u>\$ 3,283,289</u>	<u>\$ 4,864,283</u>	<u>(51,308,281)</u>	<u>(3,779)</u>	<u>(51,312,060)</u>
General revenues:						
Property taxes levied for:						
General purposes				22,989,601	-	22,989,601
Debt service				4,240,105	-	4,240,105
Capital outlay				2,460,654	-	2,460,654
Payments in lieu of taxes				1,180,263	-	1,180,263
Grants and entitlements not restricted						
to specific programs				24,040,003	-	24,040,003
Investment earnings				27,292	-	27,292
Miscellaneous				328,371	-	328,371
Total general revenues				<u>55,266,289</u>	<u>-</u>	<u>55,266,289</u>
Change in net position				3,958,008	(3,779)	3,954,229
Net position at beginning of year (restated) .				<u>10,166,796</u>	<u>39,230</u>	<u>10,206,026</u>
Net position at end of year				<u>\$ 14,124,804</u>	<u>\$ 35,451</u>	<u>\$ 14,160,255</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,955,907	\$ -	\$ 5,057,587	\$ 2,999,054	\$ 11,012,548
Investments.	-	-	-	250,538	250,538
Receivables:					
Property taxes.	22,052,819	4,098,080	2,340,614	-	28,491,513
Payment in lieu of taxes	-	-	895,240	-	895,240
Accounts	1,447	-	-	314	1,761
Accrued interest	1,168	-	-	230	1,398
Interfund loans	89,772	-	-	-	89,772
Intergovernmental.	269,922	-	-	353,824	623,746
Prepayments.	18,410	-	52,759	-	71,169
Materials and supplies inventory.	-	-	-	12,810	12,810
Total assets	<u>\$ 25,389,445</u>	<u>\$ 4,098,080</u>	<u>\$ 8,346,200</u>	<u>\$ 3,616,770</u>	<u>\$ 41,450,495</u>
Liabilities:					
Accounts payable	\$ 132,845	\$ -	\$ 200,780	\$ 134,359	\$ 467,984
Accrued wages and benefits payable.	4,887,019	-	-	327,110	5,214,129
Intergovernmental payable.	281,414	-	-	20,036	301,450
Compensated absences payable	479,819	-	-	9,712	489,531
Early retirement incentive payable.	525,000	-	-	22,227	547,227
Pension obligation payable	906,407	-	-	78,677	985,084
Interfund loans payable	-	-	-	89,772	89,772
Accrued interest payable.	-	-	-	1,248	1,248
Note payable	-	-	-	495,000	495,000
Total liabilities.	<u>7,212,504</u>	<u>-</u>	<u>200,780</u>	<u>1,178,141</u>	<u>8,591,425</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	17,432,701	3,260,761	1,851,902	-	22,545,364
Delinquent property tax revenue not available	1,081,274	205,250	116,365	-	1,402,889
Accrued interest not available	-	-	-	230	230
Intergovernmental revenue not available.	163,565	-	-	75,034	238,599
Payment in lieu of taxes levied for the next fiscal year	-	-	895,240	-	895,240
Total deferred inflows of resources	<u>18,677,540</u>	<u>3,466,011</u>	<u>2,863,507</u>	<u>75,264</u>	<u>25,082,322</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	12,810	12,810
Prepays	18,410	-	52,759	-	71,169
Restricted:					
Debt service	-	632,069	-	-	632,069
Capital improvements	-	-	5,229,154	1,906,721	7,135,875
Food service operations	-	-	-	230,682	230,682
Student activities	-	-	-	151,955	151,955
Locally funded programs.	-	-	-	33,243	33,243
Non-public schools	-	-	-	8,945	8,945
Special education	-	-	-	4,600	4,600
Federally funded programs.	-	-	-	45,361	45,361
Unassigned (deficit)	(519,009)	-	-	(30,952)	(549,961)
Total fund balances (deficit)	<u>(500,599)</u>	<u>632,069</u>	<u>5,281,913</u>	<u>2,363,365</u>	<u>7,776,748</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,389,445</u>	<u>\$ 4,098,080</u>	<u>\$ 8,346,200</u>	<u>\$ 3,616,770</u>	<u>\$ 41,450,495</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total governmental fund balances		\$ 7,776,748
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		101,278,756
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Property taxes receivable	\$ 1,402,889	
Accrued interest receivable	230	
Intergovernmental receivable	238,599	
Total	1,641,718	1,641,718
Unamortized premiums on bonds issued are not recognized in the funds.		(3,533,617)
Unamortized deferred charges on refundings are not recognized in the funds.		2,177,057
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(269,941)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(89,033,309)	
Notes	(260,000)	
Loan	(22,106)	
Capital lease obligations	(2,155,516)	
Compensated absences	(3,172,095)	
Early retirement incentive	(302,891)	
Total	(94,945,917)	(94,945,917)
Net position of governmental activities		\$ 14,124,804

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 23,007,255	\$ 4,243,290	\$ 2,461,537	\$ -	\$ 29,712,082
Payment in lieu of taxes	7,134	220,000	953,129	-	1,180,263
Tuition	457,868	-	-	-	457,868
Transportation fees	17,499	-	-	-	17,499
Earnings on investments	23,724	-	-	9,363	33,087
Charges for services	-	-	-	1,220,538	1,220,538
Extracurricular	472,324	-	-	312,649	784,973
Classroom materials and fees	254,323	-	-	-	254,323
Rental income	116,217	-	-	-	116,217
Contributions and donations	2,708	-	-	11,703	14,411
Other local revenues	325,663	-	-	125	325,788
Intergovernmental - state	23,173,692	1,944,371	731,168	209,952	26,059,183
Intergovernmental - federal	50,466	-	-	2,849,119	2,899,585
Total revenues	47,908,873	6,407,661	4,145,834	4,613,449	63,075,817
Expenditures:					
Current:					
Instruction:					
Regular	21,054,801	-	503,960	284,209	21,842,970
Special	4,728,976	-	-	1,013,536	5,742,512
Vocational	619,670	-	-	543	620,213
Other	542,203	-	-	-	542,203
Support services:					
Pupil	3,387,438	-	-	93,067	3,480,505
Instructional staff	3,323,857	-	1,207,049	256,345	4,787,251
Board of education	187,751	-	-	-	187,751
Administration	3,228,140	-	-	228,186	3,456,326
Fiscal	1,007,771	89,512	52,764	-	1,150,047
Business	559,855	-	24,176	-	584,031
Operations and maintenance	4,099,160	-	132,363	250	4,231,773
Pupil transportation	1,999,993	-	211,608	705	2,212,306
Central	507,201	-	-	3,900	511,101
Operation of non-instructional services:					
Other non-instructional services	22,232	-	-	169,787	192,019
Food service operations	-	-	-	2,100,797	2,100,797
Extracurricular activities	725,497	-	-	303,698	1,029,195
Facilities acquisition and construction	-	-	11,860	-	11,860
Debt service:					
Principal retirement	80,000	2,749,498	177,423	-	3,006,921
Interest and fiscal charges	8,245	4,655,738	65,693	16,511	4,746,187
Bond issuance costs	-	159,464	-	-	159,464
Total expenditures	46,082,790	7,654,212	2,386,896	4,471,534	60,595,432
Excess (deficiency) of revenues over (under) expenditures	1,826,083	(1,246,551)	1,758,938	141,915	2,480,385
Other financing sources (uses):					
Premium on refunding bonds	\$ -	\$ 1,000,736	\$ -	\$ -	\$ 1,000,736
Sale of refunding bonds	-	10,870,000	-	-	10,870,000
Payment to refunding bond escrow agent	-	(11,705,377)	-	-	(11,705,377)
Capital lease transaction	-	-	1,000,939	-	1,000,939
Loan proceeds	22,106	-	-	-	22,106
Transfers in	-	1,431,683	-	66,495	1,498,178
Transfers (out)	(75,045)	-	(1,423,133)	-	(1,498,178)
Total other financing sources (uses)	(52,939)	1,597,042	(422,194)	66,495	1,188,404
Net change in fund balances	1,773,144	350,491	1,336,744	208,410	3,668,789
Fund balances at beginning of year (deficit)	(2,273,743)	281,578	3,945,169	2,154,955	4,107,959
Fund balances at end of year (deficit)	\$ (500,599)	\$ 632,069	\$ 5,281,913	\$ 2,363,365	\$ 7,776,748

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**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, 2013**

Net change in fund balances - total governmental funds		\$ 3,668,789
<i>Amounts reported for governmental activities in the statement of activities because.</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Capital asset additions	\$ 1,114,217	
Current year depreciation	<u>(3,533,708)</u>	
Total		(2,419,491)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(16,194)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(21,722)	
Earnings on investments	(4,963)	
Intergovernmental	<u>(34,504)</u>	
Total		(61,189)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		3,006,921
The issuance of refunding bonds, capital lease obligations and loans are recorded as other financing sources in the governmental funds; however, in the statement of activities, they are not reported as revenues as they increase long-term liabilities on the statement of net position.		
		(11,893,045)
Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
General obligation bonds refunded	11,350,000	
Deferred charges on refunding	<u>355,377</u>	
Total		11,705,377
Premiums on debt issuances are recognized as revenues in the governmental funds; however, they are amortized over the life of the issuance on the statement of activities.		
		(1,000,736)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following items resulted in more interest being reported in the statement of activities.		
Decrease in accrued interest payable	35,745	
Accreted interest on capital appreciation bonds	111,123	
Amortization of bond premiums	185,352	
Amortization of deferred charges	<u>(120,069)</u>	
Total		212,151
Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>755,425</u>
Change in net position of governmental activities		<u>\$ 3,958,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 20,889,474	\$ 20,889,474	\$ 20,904,824	\$ 15,350
Payment in lieu of taxes.	-	-	7,134	7,134
Tuition.	386,000	386,000	457,369	71,369
Transportation fees.	21,000	21,000	17,499	(3,501)
Earnings on investments	35,000	35,000	23,674	(11,326)
Extracurricular.	295,300	295,300	288,064	(7,236)
Classroom materials and fees	248,300	305,572	253,253	(52,319)
Rental income	189,993	189,993	116,217	(73,776)
Contributions and donations	500	500	2,708	2,208
Other local revenues	265,900	265,900	221,937	(43,963)
Intergovernmental - state	22,642,135	23,084,863	23,173,692	88,829
Intergovernmental - federal	80,000	80,000	50,466	(29,534)
Total revenues	<u>45,053,602</u>	<u>45,553,602</u>	<u>45,516,837</u>	<u>(36,765)</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,529,855	20,826,051	21,089,374	(263,323)
Special.	4,023,660	4,081,712	4,499,426	(417,714)
Vocational.	591,973	600,514	621,202	(20,688)
Other.	412,752	418,707	478,350	(59,643)
Support services:				
Pupil.	3,216,226	3,262,629	3,220,935	41,694
Instructional staff	3,533,355	3,584,333	3,447,593	136,740
Board of education	246,438	249,994	217,816	32,178
Administration.	3,279,968	3,327,290	3,233,263	94,027
Fiscal	1,072,610	1,088,085	1,010,445	77,640
Business	643,449	652,732	565,925	86,807
Operations and maintenance.	4,352,173	4,414,965	4,317,919	97,046
Pupil transportation	2,280,697	2,313,602	2,056,103	257,499
Central.	541,648	549,463	509,429	40,034
Extracurricular activities.	742,816	753,533	720,464	33,069
Debt service:				
Principal retirement	616,111	625,000	625,000	-
Interest and fiscal charges.	20,950	21,252	24,740	(3,488)
Total expenditures	<u>46,104,681</u>	<u>46,769,862</u>	<u>46,637,984</u>	<u>131,878</u>
Excess of expenditures over revenues	(1,051,079)	(1,216,260)	(1,121,147)	95,113
Other financing sources (uses):				
Transfers (out).	-	-	(8,550)	(8,550)
Advances in.	106,991	106,991	106,991	-
Advances (out)	-	-	(89,772)	(89,772)
Sale of notes	495,000	495,000	495,000	-
Sale of capital assets	10,000	10,000	225	(9,775)
Total other financing sources (uses)	<u>611,991</u>	<u>611,991</u>	<u>503,894</u>	<u>(108,097)</u>
Net change in fund balance	(439,088)	(604,269)	(617,253)	(12,984)
Fund balance at beginning of year	2,772,459	2,772,459	2,772,459	-
Prior year encumbrances appropriated	297,892	297,892	297,892	-
Fund balance at end of year	<u>\$ 2,631,263</u>	<u>\$ 2,466,082</u>	<u>\$ 2,453,098</u>	<u>\$ (12,984)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

	<u>Business-Type Activities - Nonmajor Enterprise Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 102,131
Total assets.	<u>102,131</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,793
Accrued wages and benefits	16,605
Compensated absences.	7,394
Pension obligation payable.	31,326
Intergovernmental payable	<u>1,832</u>
Total current liabilities	<u>61,950</u>
Long-term liabilities:	
Compensated absences payable.	<u>4,730</u>
Total liabilities	<u>66,680</u>
Net position:	
Unrestricted.	<u>35,451</u>
Total net position	<u><u>\$ 35,451</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Nonmajor Enterprise Fund
Operating revenues:	
Tuition and fees.	\$ 431,871
Total operating revenues	<u>431,871</u>
 Operating expenses:	
Personal services.	382,639
Purchased services.	9,815
Materials and supplies	37,962
Other.	<u>5,234</u>
Total operating expenses.	<u>435,650</u>
 Operating loss/change in net position	 <u>(3,779)</u>
 Net position at beginning of year.	 <u>39,230</u>
 Net position at end of year	 <u><u>\$ 35,451</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Nonmajor Enterprise Fund
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 440,579
Cash payments for personal services.	(366,001)
Cash payments for contractual services	(9,929)
Cash payments for materials and supplies	(35,848)
Cash payments for other expenses	(5,548)
	23,253
Net cash provided by operating activities	23,253
Net increase in cash and cash equivalents	23,253
Cash and cash equivalents at beginning of year . . .	78,878
Cash and cash equivalents at end of year.	\$ 102,131
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss.	\$ (3,779)
Changes in assets and liabilities:	
Decrease in accounts receivable.	8,708
Increase in accounts payable	1,086
Increase in accrued wages and benefits	10,844
Increase in intergovernmental payable.	700
Increase in compensated absences payable	1,503
Increase in pension obligation payable	4,191
	23,253
Net cash provided by operating activities	\$ 23,253

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	
	Special Trust	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 84,911	\$ 228,087
Investments.	23,153	-
Receivables:		
Accounts	-	325
Accrued interest.	3,069	-
Total assets.	111,133	\$ 228,412
Liabilities:		
Accounts payable.	\$ 2,500	\$ -
Intergovernmental payable	-	853
Due to students.	-	205,072
Due to others.	-	22,487
Total liabilities	2,500	\$ 228,412
Net position:		
Held in trust for scholarships	108,633	
Total net position.	\$ 108,633	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
	Scholarship
Additions:	
Earnings on investments.	\$ 1,738
Gifts and contributions.	3,930
Total additions.	5,668
 Deductions:	
Scholarships awarded	6,700
Change in net position	(1,032)
 Net position at beginning of year.	109,665
 Net position at end of year	\$ 108,633

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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 206 noncertified and approximately 356 certified teaching personnel and administrative employees providing education to 5,475 students.

The District provides regular and special instruction. The District also provides support services for pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 21 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In the event of the dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information is available from Mike Carder, Director, at 100 Executive Drive, Marion, Ohio 43302. During fiscal year 2013, the District paid \$98,812 to TRECA for its services.

Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School District is a political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a Board of Education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Union County Council of Governments (COG)

The District, Union County, and the City of Marysville (the "Members") formed the COG on January 26, 2012 to collaborate, share resources, reduce costs, centralize supervision and enhance the provision of technology services to its Members. The COG was established pursuant to Ohio Revised Code, Chapter 167. The COG is governed by a Governing Board consisting of the Superintendent of Marysville Exempted Village School District, the Mayor of the City of Marysville, and the President of the Board of Union County Commissioners. The degree of control exercised by each participating Member is limited to its representation on the Governing Board. Financial information is available from Union County, who serves as fiscal agent, at 223 West Sixth Street, Marysville, Ohio 43040.

INSURANCE PURCHASING POOL

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program. The District paid \$4,110 in fees during fiscal year 2013.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Permanent improvement 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).

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's only proprietary fund:

Enterprise Fund - 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. The enterprise fund is used to account for school day care.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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 are 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. 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus (Continued)

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/deferred outflows of resources and current liabilities/deferred inflows of resources, 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.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the statement of net position. The statement of changes in fund net position 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 activity.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operation. For the District, these revenues are tuition and fees for the school day care program and expenses incurred in operating the school day care program. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payment in lieu of 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 (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting (Continued)

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.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes and payment in lieu of taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and interest not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

Deferred outflows of resources consist of unamortized deferred charges on debt refunding as reported on the statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Budgetary statements are presented beyond that legal level of control for informational purposes only. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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

Estimated Resources

Prior to April 1, unless a later date is approved by the Tax Commissioner, the Board of Education 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 July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended certificate of estimated resources issued for fiscal year 2013.

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 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. Administrative control is maintained through the establishment of more detailed line-item budgets.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments (Continued)

During fiscal year 2013, investments were limited to non-negotiable certificates of deposit (CDs), money market accounts, negotiable CDs and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2013. 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 shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes, interest earnings are allocated to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$23,724, which includes \$11,887 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of donated food and purchased food.

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets

Governmental capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of Net Position, but are not reported in the fund financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,000. Contributed capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is not capitalized.

Furniture, fixtures and equipment acquired by the proprietary fund is stated at cost (or estimated historical cost). Contributed capital assets are recorded at their fair market values as of the date received.

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	50 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	8 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental type activities columns of the statement of net position.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Employees may earn 15 days of sick leave per year up to a maximum of 248 days. Upon retirement, certified and classified employees will receive 25 percent, and administration will receive 30 percent of the accumulated sick leave up to a maximum of 64 days.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences (Continued)

For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees any age with 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes, loans and capital leases are recognized as a liability on the fund financial statements when due.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Fund Balance (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Estimates

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

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. During fiscal year 2013, there were no transfers between governmental and business-type activities.

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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

R. Issuance Costs, Bond Premium/Discount and Accounting Gain/Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

For an advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A. Change in Accounting Principles (Continued)

The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental Activities
Net assets as previously reported	\$ 10,859,616
Removal of unamortized bond issuance costs	<u>(692,820)</u>
Net position at July 1, 2012	<u>\$ 10,166,796</u>

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 500,599
 <u>Nonmajor funds</u>	
Title I	26,194
Improving teacher quality	4,758

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$6,133,975. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$6,011,063 of the District's bank balance of \$6,284,216 was exposed to custodial credit risk as discussed below, while \$273,153 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2013, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities	
		6 months or less	Greater than 24 months
Money market funds	\$ 4,975,972	\$ 4,975,972	\$ -
Negotiable CDs	500,956	250,538	250,418
STAR Ohio	90,465	90,465	-
Total	<u>\$ 5,567,393</u>	<u>\$ 5,316,975</u>	<u>\$ 250,418</u>

The weighted average maturity of investments is 0.11 years.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the 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 settlement.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The money market funds were rated AAA by Standard & Poor's. The negotiable CDs were not rated. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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 investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Money market funds	\$ 4,975,972	89.38
Negotiable CDs	500,956	9.00
STAR Ohio	<u>90,465</u>	<u>1.62</u>
Total	<u>\$ 5,567,393</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,133,975
Investments	<u>5,567,393</u>
Total	<u>\$ 11,701,368</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 11,263,086
Business-type activities	102,131
Private-purpose trust fund	108,064
Agency fund	<u>228,087</u>
Total	<u>\$ 11,701,368</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2013, as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Race to the top	\$ 4,033
	Title I	36,530
	Miscellaneous federal grants	<u>49,209</u>
	Total	<u>\$ 89,772</u>

Interfund loans receivable/payable are short-term interfund loans, and are expected to be repaid in the subsequent fiscal year. The primary purpose of these interfund loans is to cover costs where revenues were not received by June 30. The interfund loans will be repaid once the anticipated revenues are received. Interfund loans receivable/payable between governmental funds are eliminated and are not reported on the government-wide statement of net position.

- B. Interfund transfers for the fiscal year 2013 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Bond retirement fund	\$ 8,550
Building nonmajor capital projects fund	66,495
<u>Transfers from permanent improvement fund to:</u>	
Bond retirement fund	<u>1,423,133</u>
Total	<u>\$ 1,498,178</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the permanent improvement fund to the bond retirement fund are to provide allowable resources for the retirement of debt issued for capital improvement.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available for advance at June 30, 2013 was \$3,538,844 in the general fund, \$632,069 in the bond retirement fund and \$372,347 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,436,413 in the general fund, \$281,578 in the bond retirement fund and \$155,552 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as deferred inflows of resources.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 653,830,160	94.91	\$ 654,747,130	94.38
Tangible personal property	<u>35,035,830</u>	<u>5.09</u>	<u>38,997,660</u>	<u>5.62</u>
Total	<u>\$ 688,865,990</u>	<u>100.00</u>	<u>\$ 693,744,790</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 58.06		\$ 59.06	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 7 - PAYMENT IN LIEU OF TAXES

According to State law, Union County has entered into agreements with property owners under which Union County has granted property tax abatements to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to Union County to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The District received \$1,180,263 in payments in lieu of taxes during fiscal year 2013 and a receivable of \$895,240 has been reported on the fund financial statements and the statement of net position.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 28,491,513
Payment in lieu of taxes	895,240
Accounts	1,761
Accrued interest	1,398
Intergovernmental	<u>623,746</u>
Total receivables	<u>\$ 30,013,658</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes and payments in lieu of taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for governmental and business-type activities for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,355,496	\$ -	\$ -	\$ 6,355,496
Total capital assets, not being depreciated	<u>6,355,496</u>	<u>-</u>	<u>-</u>	<u>6,355,496</u>
Capital assets, being depreciated:				
Land improvements	4,368,567	-	-	4,368,567
Building and improvements	114,964,398	-	-	114,964,398
Furniture, fixtures and equipment	17,558,638	1,007,963	(30,845)	18,535,756
Vehicles	3,063,236	106,254	(63,700)	3,105,790
Total capital assets, being depreciated	<u>139,954,839</u>	<u>1,114,217</u>	<u>(94,545)</u>	<u>140,974,511</u>
Less: accumulated depreciation				
Land improvements	(3,032,918)	(166,223)	-	(3,199,141)
Building and improvements	(24,406,915)	(2,304,916)	-	(26,711,831)
Furniture, fixtures and equipment	(13,190,897)	(826,574)	22,216	(13,995,255)
Vehicles	(1,965,164)	(235,995)	56,135	(2,145,024)
Total accumulated depreciation	<u>(42,595,894)</u>	<u>(3,533,708)</u>	<u>78,351</u>	<u>(46,051,251)</u>
Governmental activities capital assets, net	<u>\$ 103,714,441</u>	<u>\$ (2,419,491)</u>	<u>\$ (16,194)</u>	<u>\$ 101,278,756</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 1,130	\$ -	\$ -	\$ 1,130
Less: accumulated depreciation				
Furniture, fixtures and equipment	(1,130)	-	-	(1,130)
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2013, 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 removed and reopened if 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 the old middle school and East elementary buildings at year-end were \$2,730,658 and \$806,849, respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,754,628
Special	300,973
Vocational	40,937
Support Services:	
Pupil	204,746
Instructional staff	514,987
Administration	212,470
Fiscal	30,411
Business	31,621
Operations and maintenance	68,809
Pupil transportation	224,474
Central	1,009
Other non-instructional services	3,074
Food service operations	86,555
Extracurricular	<u>59,014</u>
Total depreciation expense	<u>\$ 3,533,708</u>

NOTE 10 - CAPITALIZED LEASES

Prior to fiscal year 2013, the District entered into agreements for building and land improvements under capital lease obligations. During fiscal year 2013, the District entered into a capital lease agreement for computer networking technology. The cost of the capital assets obtained under these capital leases is \$2,016,000 (buildings and land improvements) and \$1,000,939 (furniture, fixtures and equipment) 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, 2013:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 499,947
2015	499,163
2016	412,368
2017	156,689
2018	156,111
2019 - 2023	<u>776,613</u>
Total minimum lease payments	2,500,891
Less: amount representing interest	<u>(345,375)</u>
Total	<u>\$ 2,155,516</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

- A. June 30, 2012, the long-term liabilities of the governmental activities were restated to exclude deferred charges on refundings in the amount of \$1,941,749. These deferred charges are now reported on the statement of net position under deferred outflows of resources. The District's long-term obligations activity during fiscal year 2013 consisted of the following:

	(Restated) Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
<u>General obligation bonds</u>					
2000 Refunding new elementary 3.4-5.15%	\$ 4,272,973	\$ -	\$ (51,534)	\$ 4,221,439	\$ 40,409
2000 Fifth/sixth elementary 5.79%	812,713	-	(112,235)	700,478	122,649
2000 New elementary and middle school 4.35-5.375%	234,995	-	(40,729)	194,266	36,621
2002 Refunding fifth/sixth elementary 3.60%	11,249,974	-	(10,835,000)	414,974	-
2005 Refunding school improvement 3.25-5%	33,654,966	-	(1,470,000)	32,184,966	1,520,000
2006 School improvement/refunding 3.5-5%	34,289,984	-	(1,590,000)	32,699,984	1,025,000
2012 School improvement/refunding 2-5%	-	10,870,000	-	10,870,000	25,000
Subtotal general obligaton bonds	<u>84,515,605</u>	<u>10,870,000</u>	<u>(14,099,498)</u>	<u>81,286,107</u>	<u>2,769,679</u>
Unamortized premium on bond issuances	2,718,233	1,000,736	(185,352)	3,533,617	-
Capital appreciation bonds interest accretion	<u>7,858,325</u>	<u>1,169,379</u>	<u>(1,280,502)</u>	<u>7,747,202</u>	-
Total general obligation bonds	<u>95,092,163</u>	<u>13,040,115</u>	<u>(15,565,352)</u>	<u>92,566,926</u>	<u>2,769,679</u>
<u>Other long-term obligations:</u>					
Energy conservation notes	340,000	-	(80,000)	260,000	85,000
Loan payable	-	22,106	-	22,106	-
Early retirement incentive	1,397,345	-	(547,227)	850,118	547,227
Compensated absences	3,617,653	726,892	(682,919)	3,661,626	921,979
Capital leases payable	<u>1,332,000</u>	<u>1,000,939</u>	<u>(177,423)</u>	<u>2,155,516</u>	<u>429,271</u>
Total other long-term obligations	<u>6,686,998</u>	<u>1,749,937</u>	<u>(1,487,569)</u>	<u>6,949,366</u>	<u>1,983,477</u>
Total	<u>\$ 101,779,161</u>	<u>\$ 14,790,052</u>	<u>\$ (17,052,921)</u>	<u>\$ 99,516,292</u>	<u>\$ 4,753,156</u>
Business-type Activities:					
Compensated absences	\$ 10,621	\$ 7,831	\$ (6,328)	\$ 12,124	\$ 7,394
Total business-type activities	<u>\$ 10,621</u>	<u>\$ 7,831</u>	<u>\$ (6,328)</u>	<u>\$ 12,124</u>	<u>\$ 7,394</u>

Capital leases payable - Refer to Note 10 to the notes to the basic financial statements for detail on the capital lease obligations.

Compensated absences - Compensated absences will be paid from the fund from which the person is paid, which, for governmental activities, is primarily the general fund, the food service, education jobs, IDEA Part-B, Title I and improving teacher quality nonmajor special revenues funds, and, for business-type activities, the school day care fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Early retirement incentive (ERI) - The District Board of Education approved an early retirement incentive for certified and classified employees for fiscal years 2011 and 2012. Employees who elected to participate in the ERI will receive a payment for their unused sick leave, to the extent allowed by the current labor agreement along with a payment of \$20,000-\$45,000. The payment for the ERI will be paid out over a three-year period beginning in fiscal years 2011 and 2012. The total liability for the ERI at June 30, 2013 was \$850,118, of which \$547,227 is due within one year and \$302,891 is due in greater than one year. The liability is recorded in the governmental activities statement of net position as a component of "long-term liabilities".

Energy conservation project - the District has issued energy conservation notes to provide financing for energy improvements to various District buildings. Payments of principal and interest on the energy conservation notes are reported as expenditures in the bond retirement fund.

Loan payable - On June 26, 2012, the Board of Education approved a resolution to authorize the District Treasurer to enter into a loan agreement on behalf of the District for the Union County Council of Governments (COG). The District's share of the \$400,000 no-interest loan with the Ohio Department of Development is scheduled to be 10.64 percent or \$69,787. As of June 30, 2013, the COG has received loan proceeds of \$207,766 for approved expenditures. A liability for the District's share of \$22,106 has been reported as a liability on the statement of net position. A payment schedule will not be available until all loan funds have been disbursed.

- B.** Principal and interest requirements to retire the general obligation bonds and energy conservation notes are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Energy Conservation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 2,769,679	\$ 4,841,970	\$ 7,611,649	\$ 85,000	\$ 10,549	\$ 95,549
2015	2,106,855	5,611,820	7,718,675	85,000	6,426	91,426
2016	2,063,475	5,818,825	7,882,300	90,000	2,183	92,183
2017	1,725,246	6,131,479	7,856,725	-	-	-
2018	3,302,889	4,452,830	7,755,719	-	-	-
2019 - 2023	20,652,963	21,982,349	42,635,312	-	-	-
2024 - 2028	33,475,000	7,493,955	40,968,955	-	-	-
2029 - 2030	15,190,000	673,041	15,863,041	-	-	-
Total	<u>\$81,286,107</u>	<u>\$ 57,006,269</u>	<u>\$138,292,376</u>	<u>\$ 260,000</u>	<u>\$ 19,158</u>	<u>\$ 279,158</u>

C. Defeased Debt

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 \$4,851,385 at June 30, 2013, 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
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. 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, 2013, 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 \$35,100,000 at June 30, 2013, 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 a 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 \$12,210,000 at June 30, 2013, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In November 2012, the District issued \$10,870,000 in school improvement general obligation refunding bonds to currently refund \$10,835,000 of the school improvement refunding bonds dated March 1, 2002 and to advance refund \$515,000 of the school improvement bonds dated March 2, 2006. The debt issue is comprised of current interest serial bonds (par value \$8,845,000) and current interest term bonds (par value \$2,025,000). The interest rate on the current interest serial bonds ranges from 2.00- 5.00 percent and the interest rate on the current interest term bonds is 3.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue for the issue is December 1, 2029. The net proceeds of the 2012 school improvement refunding bonds related to the advance refunding portion 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 \$385,000 at June 30, 2013, 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
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

Under current State statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9 percent 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 percent of the projected increase of its tax valuation in during the next ten years.

NOTE 12 - NOTES PAYABLE

Note payable activity of the District for the fiscal year ended June 30, 2013, was as follows:

<u>Note Payable</u>	<u>Interest Rate</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Energy conservation note	1.875%	\$ 545,000	\$ -	\$ (545,000)	\$ -
Energy conservation note	2.00%	-	495,000	-	495,000
Total		<u>\$ 545,000</u>	<u>\$ 495,000</u>	<u>\$ (545,000)</u>	<u>\$ 495,000</u>

On May 16, 2013, the District retired the \$545,000 energy conservation note and reissued an energy conservation note in the amount of \$495,000. The maturity date of the 2013 note is May 14, 2014.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted with Ohio Casualty Insurance Company for various coverages, as follows:

<u>Coverage/Deductible</u>	<u>Aggregate</u>
Fleet Insurance - \$500/Comprehensive 500/Collision	\$1,000,000
Buildings and Contents - \$1,000	
School District Liability (no deductible)	2,000,000
Employee Benefits Liability - \$1,000	3,000,000
School Leaders Errors and Omissions - \$2,500	1,000,000
Umbrella Policy (no deductible)	5,000,000
Crime - \$1,000	100,000
Miscellaneous - \$500	
Computers - \$500	

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 13 - RISK MANAGEMENT (Continued)

B. Worker's Compensation

The District participates in a Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Life, Medical, Dental, and Vision Insurance

The District has elected to provide a comprehensive benefits package to employees through a fully-insured program. The District provides life and health insurance to employees through United Healthcare, dental insurance through Core Source, and vision insurance through VSP.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$949,090, \$978,121 and \$890,028, respectively; 77.10 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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 website at www.strsoh.org, under "Publications".

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.

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 fiscal year 2013, 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. 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, 2013, 2012 and 2011 were \$2,876,581, \$3,069,321 and \$3,024,223, respectively; 84.75 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$131,278 made by the District and \$93,770 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 14 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

A. School Employees Retirement System (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$124,227, \$153,117 and \$222,791, respectively; 77.10 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$53,613, \$57,763 and \$57,275, respectively; 77.10 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 2013, 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, 2013, 2012 and 2011 were \$221,275, \$236,102 and \$232,633, respectively; 84.75 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (617,253)
Net adjustment for revenue accruals	2,207,776
Net adjustment for expenditure accruals	388,732
Net adjustment for other sources/uses	(556,833)
Funds budgeted elsewhere	(21,593)
Adjustment for encumbrances	<u>372,315</u>
GAAP basis	<u>\$ 1,773,144</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies and the public school support fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not involved in material litigation as either plaintiff or defendant.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 18 - SET ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	898,352
Current year qualifying expenditures	(134,181)
Current year offsets	<u>(2,975,910)</u>
Total	<u>\$(2,211,739)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 170,512
Permanent improvement fund	755,422
Other governmental funds	<u>107,215</u>
Total	<u>\$ 1,033,149</u>

NOTE 20 – SUBSEQUENT EVENT

On October 23, 2013, the District issued School Improvement Refunding Bonds, Series 2013, in the amount of \$8,655,000. The Refunding Bonds are issued for the purpose of advance refunding outstanding bonds issued for the purpose of refunding bond anticipation notes originally issued to pay a portion of the cost of construction and renovating school buildings.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
Non-Cash Assistance (Food Distribution):			
School Breakfast Program	10.553	\$ 11,502	\$ 11,502
National School Lunch Program	10.555	73,170	73,170
Cash Assistance:			
School Breakfast Program	10.553	110,589	110,589
National School Lunch Program	10.555	618,853	618,853
<i>Total Nutrition Cluster</i>		<u>814,114</u>	<u>814,114</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>814,114</u>	<u>814,114</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	553,505	549,723
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	846,170	842,703
Special Education Preschool Grants	84.173	6,260	6,260
<i>Total Special Education Cluster</i>		<u>852,430</u>	<u>848,963</u>
Twenty-First Century Community Learning Centers	84.287	111,568	99,020
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	84.395	75,922	85,863
Title II-A - Improving Teacher Quality	84.367	134,332	133,506
Education Jobs	84.410	243,127	136,136
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,970,884</u>	<u>1,853,211</u>
TOTALS FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 2,784,998</u>	<u>\$ 2,667,325</u>

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Marysville Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Marysville Exempted Village School District's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2014

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA # 10.553, 10.555 Ed Jobs - CFDA # 84.410 Special Education Cluster: CFDA # 84.027, 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Special Education Cluster & Ed Jobs Grant – Cash Management	Yes	



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Marysville Exempted Village School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 21, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2014

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2014**