



**Auditor of State
Betty Montgomery**

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, 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, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2005

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Unaudited

The discussion and analysis of Marysville Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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 2004 are as follows:

In total, net assets decreased \$2,350,043. Net assets of governmental activities decreased \$2,197,225, which represents a 28.9% decrease from 2003. Net assets of business-type activities decreased \$152,818 or 136.0% from 2003.

General revenues accounted for \$43,088,446 in revenue or 91.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,017,123 or 8.5% of total revenues of \$47,105,569.

The District had \$47,372,223 in expenses related to governmental activities; only \$2,086,552 of these expenses were offset by program specific charges for services, grants or contributions. General revenues were not adequate to provide for these programs and it was necessary to make use of a portion of net assets to cover the expenses.

Among major funds, the general fund had \$35,722,263 in revenues and \$36,526,789 in expenditures. The general fund's fund balance decreased (\$764,907) to a deficit of \$(1,754,844). The decrease is a result of increased expenditures for additional personnel.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004***

Unaudited

Government-wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2004 compared to 2003.

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$33,441,592	\$33,054,050	(\$507,755)	(\$366,223)	\$32,933,837	\$32,687,827
Capital assets, Net	53,341,380	55,289,399	489,192	517,356	53,830,572	55,806,755
Total assets	<u>86,782,972</u>	<u>88,343,449</u>	<u>(18,563)</u>	<u>151,133</u>	<u>86,764,409</u>	<u>88,494,582</u>
Long-term debt outstanding	46,369,214	47,073,527	38,006	39,653	46,407,220	47,113,180
Other liabilities	35,018,660	33,677,599	208,597	223,828	35,227,257	33,901,427
Total liabilities	<u>81,387,874</u>	<u>80,751,126</u>	<u>246,603</u>	<u>263,481</u>	<u>81,634,477</u>	<u>81,014,607</u>
Net assets						
Invested in capital assets, net of related debt	6,051,400	8,695,208	489,192	517,356	6,540,592	9,212,564
Restricted	2,409,948	1,214,931	0	0	2,409,948	1,214,931
Unrestricted	<u>(3,066,250)</u>	<u>(2,317,816)</u>	<u>(754,358)</u>	<u>(629,704)</u>	<u>(3,820,608)</u>	<u>(2,947,520)</u>
Total net assets	<u>\$5,395,098</u>	<u>\$7,592,323</u>	<u>(\$265,166)</u>	<u>(\$112,348)</u>	<u>\$5,129,932</u>	<u>\$7,479,975</u>

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for Services and Sales	\$559,757	\$545,911	\$1,557,844	\$1,446,258	\$2,117,601	\$1,992,169
Operating Grants and Contributions	1,526,795	1,543,453	372,727	306,685	1,899,522	1,850,138
Capital Grants and Contributions	0	59,104	0	0	0	59,104
General revenues:						
Property Taxes	27,517,497	22,140,358	0	0	27,517,497	22,140,358
Grants and Entitlements	14,829,513	13,469,907	0	0	14,829,513	13,469,907
Other	741,436	655,790	0	0	741,436	655,790
Total revenues	<u>45,174,998</u>	<u>38,414,523</u>	<u>1,930,571</u>	<u>1,752,943</u>	<u>47,105,569</u>	<u>40,167,466</u>
Program Expenses						
Instruction	25,714,383	24,603,530	0	0	25,714,383	24,603,530
Support Services:						
Pupils	2,556,763	2,537,086	0	0	2,556,763	2,537,086
Instructional Staff	4,288,548	4,169,387	0	0	4,288,548	4,169,387
Board of Education	13,542	9,798	0	0	13,542	9,798
Administration	3,447,361	2,946,955	0	0	3,447,361	2,946,955
Fiscal Services	1,088,472	874,480	0	0	1,088,472	874,480
Business	615,104	484,862	0	0	615,104	484,862
Operation and Maintenance of Plant	3,509,070	3,795,521	0	0	3,509,070	3,795,521
Pupil Transportation	2,338,404	2,207,824	0	0	2,338,404	2,207,824
Central	191,952	245,919	0	0	191,952	245,919
Operation of Non-Instructional Services	94,313	101,786	0	0	94,313	101,786
Extracurricular Activities	1,090,066	973,864	0	0	1,090,066	973,864
Interest and Fiscal Charges	2,474,245	3,005,361	0	0	2,474,245	3,005,361
Food Service	0	0	1,636,306	1,593,675	1,636,306	1,593,675
Uniform School Supplies	0	0	101,312	73,098	101,312	73,098
Rotary-Special Services	0	0	5,970	5,218	5,970	5,218
Special Enterprise-Day Care	0	0	339,801	458,721	339,801	458,721
Total expenses	<u>47,372,223</u>	<u>45,956,373</u>	<u>2,083,389</u>	<u>2,130,712</u>	<u>49,455,612</u>	<u>48,087,085</u>
Change in Net Assets before transfers	(2,197,225)	(7,541,850)	(152,818)	(377,769)	(2,350,043)	(7,919,619)
Transfers	0	(129,443)	0	129,443	0	0
Total Change in Net Assets	(2,197,225)	(7,671,293)	(152,818)	(248,326)	(2,350,043)	(7,919,619)
Beginning Net Assets	7,592,323	14,903,309	(112,348)	135,978	7,479,975	15,039,287
Total Change in Net Assets	<u>\$5,395,098</u>	<u>\$7,232,016</u>	<u>(\$265,166)</u>	<u>(\$112,348)</u>	<u>\$5,129,932</u>	<u>\$7,119,668</u>

Governmental Activities

Net assets of the District's governmental activities decreased by (\$2,197,225). This was due to increased expenses for personnel.

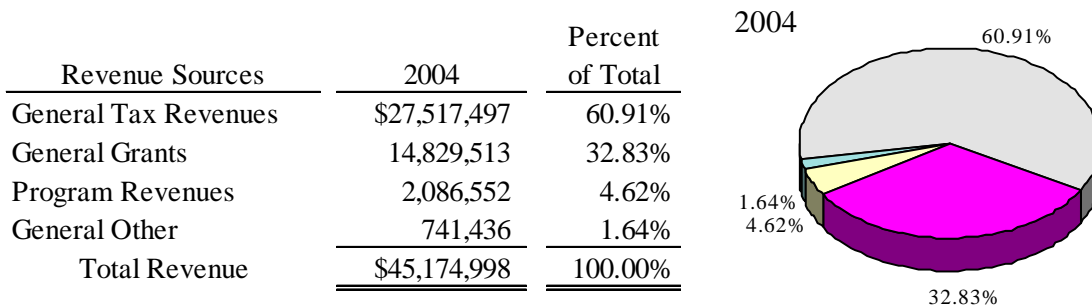
MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

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

Property taxes made up 61% of revenues for governmental activities for Marysville Exempted Village Schools in fiscal year 2004. The District's reliance upon tax revenues is demonstrated by the following graph:



Business-Type Activities

Net assets of the business-type activities decreased by \$152,818. This decrease is a result of expenses for Food Service operations outpacing its revenues which resulted in borrowing from governmental activities. Business activities receive no support from tax revenues.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund deficit of (\$2,642,453), which is greater than last year's deficit of (\$1,277,929). The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	(\$1,754,844)	(\$989,937)	(\$764,907)
Bond Retirement	301,033	262,445	38,588
Permanent Improvement	1,732,873	1,331,223	401,650
Building Acquisition and Construction	(3,271,159)	(2,240,521)	(1,030,638)
Other Governmental	349,644	358,861	(9,217)
Total	(\$2,642,453)	(\$1,277,929)	(\$1,364,524)

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

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

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$20,792,502	\$17,842,429	\$2,950,073
Tuition	122,023	115,732	6,291
Transportation Fees	15,132	16,608	(1,476)
Investment Earnings	38,562	160,168	(121,606)
Class Materials and Fees	116,301	106,513	9,788
Intergovernmental - State	14,066,130	12,893,232	1,172,898
Intergovernmental - Federal	0	15,788	(15,788)
All Other Revenue	571,613	307,724	263,889
Total	\$35,722,263	\$31,458,194	\$4,264,069

General Fund revenues in 2004 increased approximately 13.6% compared to revenues in fiscal year 2003. The primary factors contributing to this increase were an additional 5 mill property tax levy that went into effect in the second half of fiscal year 2004 which increased taxes and homestead/rollback payments received from the State and an increase in the State's foundation revenues due to increased students in the District.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Instruction	\$20,735,895	\$20,670,712	\$65,183
Supporting Services:			
Pupils	2,301,282	2,155,394	145,888
Instructional Staff	2,764,852	2,900,715	(135,863)
Board of Education	11,508	9,798	1,710
Administration	3,119,004	2,681,688	437,316
Fiscal Services	886,855	758,445	128,410
Business	526,659	481,851	44,808
Operation & Maintenance of Plant	3,165,905	3,120,682	45,223
Pupil Transportation	1,788,147	1,585,298	202,849
Central	158,577	189,070	(30,493)
Operation of Non-Instructional Services	1,694	5,667	(3,973)
Extracurricular Activities	747,089	655,341	91,748
Capital Outlay	0	5,158	(5,158)
Debt Service			
Principal Retirement	265,000	255,000	10,000
Interest and Fiscal Charges	54,322	66,470	(12,148)
Total	\$36,526,789	\$35,541,289	\$985,500

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

The expenditures increased by \$985,500 or 2.8% compared to the prior year mostly due to increases in salaries and wages. There were new personnel added in Administration, Fiscal Services and Pupil Transportation. In addition, severance payments were made for retired personnel in Administration.

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 2004 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$34.9 million, below original budget estimates of \$35.8 million. Most of this \$1 million difference was due to an over estimation of State Foundation revenues. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the District had \$53,830,572, net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$53,341,380 was related to governmental activities and \$489,192 to the business-type activities. The following table shows fiscal year 2003 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
	Land	\$1,640,099	\$1,640,099
Land Improvements	3,294,119	3,075,210	218,909
Buildings and Improvements	56,599,008	54,999,869	1,599,139
Furniture, Fixtures and Equipment	14,036,756	13,781,303	255,453
Vehicles	2,179,415	2,061,739	117,676
Construction in Progress	133,185	619,406	(486,221)
Less: Accumulated Depreciation	(24,541,202)	(20,888,227)	(3,652,975)
Totals	\$53,341,380	\$55,289,399	(\$1,948,019)

	Business-Type Activities		Increase (Decrease)
	2004	2003	
	Furniture and Equipment	\$1,053,528	\$1,022,035
Less: Accumulated Depreciation	(564,336)	(504,679)	(59,657)
Totals	\$489,192	\$517,356	(\$28,164)

The primary increase occurred in buildings and improvements, which included an expanded administration building, a new field house, receiving center and soccer fields.

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

Debt

At June 30, 2004, the District had \$46.4 million in bonds, notes, loans, capital leases and compensated absences outstanding, \$1,532,079 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2004:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General Obligation Bond:		
School Improvement	\$41,083,980	\$41,597,077
Installment Notes Payable	840,000	1,105,000
Capital Leases Payable	1,966,000	2,080,511
Compensated Absences	<u>2,479,234</u>	<u>2,290,939</u>
Total Governmental Activities	46,369,214	47,073,527
Business-Type Activities:		
Compensated Absences	<u>38,006</u>	<u>39,653</u>
Totals	<u><u>\$46,407,220</u></u>	<u><u>\$47,113,180</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2004, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

ECONOMIC FACTORS

The District relies on its property taxes and State Foundation Funds to provide the funds necessary to maintain its educational programs. The Marysville School district continues to be one of the fastest growing school districts in Central Ohio with a 5% growth rate per year. This year's growth brought the total school population to over 5,000 students an increase of 1,400 students since 1997. Our graduating class in 2002 was the last class under 300 students and the incoming kindergarten class in the fall of 2003 was the first class over 400 students.

Union County is the third fastest growing county in Ohio and Marysville is the ninth fastest growing city in Ohio. We have had eight new housing developments in the past six years and the City of Marysville recently annexed 2,888 acres for commercial and residential development. Marysville industrial and commercial tax base is increasing and we have one of the lowest unemployment rates in Ohio. Honda, Scotts Company, Nestle and Denison have all recently expanded operations in Marysville.

The assessed valuation for Marysville schools went from \$658,967,265 in 2003 to \$681,257,590 in 2004.

In the second half of fiscal year 2004, a new 5 mill levy went into effect for general operations for a five year period.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Unaudited

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

REQUESTS FOR INFORMATION

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets **June 30, 2004**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Digital Academy
Assets:				
Cash and Cash Equivalents	\$ 2,271,459	\$ 134,017	\$ 2,405,476	\$ 16,910
Receivables:				
Taxes	30,304,640	0	30,304,640	0
Accounts	10,224	834	11,058	0
Intergovernmental	71,976	32,355	104,331	109,926
Internal Balance	694,038	(694,038)	0	0
Inventory of Supplies at Cost	0	18,975	18,975	0
Prepaid Items	89,255	102	89,357	0
Restricted Assets:				
Capital Assets, Net	53,341,380	489,192	53,830,572	58,685
Total Assets	86,782,972	(18,563)	86,764,409	185,521
Liabilities:				
Accounts Payable	117,824	22,528	140,352	8,977
Accrued Wages and Benefits	3,149,487	84,549	3,234,036	0
Intergovernmental Payable	1,117,931	101,520	1,219,451	0
Claims Payable	863,691	0	863,691	0
Deferred Revenue - Taxes	26,170,634	0	26,170,634	0
Early Retirement Incentive Payable	45,000	0	45,000	0
Accrued Interest Payable	154,093	0	154,093	0
General Obligation Notes Payable	3,400,000	0	3,400,000	0
Long Term Liabilities:				
Due Within One Year	1,532,079	0	1,532,079	0
Due in More Than One Year	44,837,135	38,006	44,875,141	0
Total Liabilities	81,387,874	246,603	81,634,477	8,977
Net Assets:				
Invested in Capital Assets, Net of Related Debt	6,051,400	489,192	6,540,592	58,685
Restricted For:				
Capital Projects	2,085,497	0	2,085,497	0
Debt Service	324,451	0	324,451	0
Unrestricted (Deficit)	(3,066,250)	(754,358)	(3,820,608)	117,859
Total Net Assets	\$ 5,395,098	\$ (265,166)	\$ 5,129,932	\$ 176,544

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2004

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 25,714,383	\$ 265,947	\$ 876,945
Support Services:			
Pupils	2,556,763	0	160,141
Instructional Staff	4,288,548	0	175,452
Board of Education	13,542	0	0
Administration	3,447,361	0	167,419
Fiscal Services	1,038,472	0	22,892
Business	615,104	0	3,695
Operation and Maintenance of Plant	3,509,070	0	0
Pupil Transportation	2,338,404	15,132	26,494
Central	191,952	0	17,143
Operation of Non-Instructional Services	94,313	0	67,687
Extracurricular Activities	1,090,066	278,678	8,927
Interest and Fiscal Charges	2,474,245	0	0
Total Governmental Activities	47,372,223	559,757	1,526,795
Business-Type Activities:			
Food Service	1,636,306	1,057,455	372,727
Uniform School Supplies	101,312	89,059	0
Rotary - Special Services	5,970	5,607	0
Special Enterprise-Day Care	339,801	405,723	0
Total Business-Type Activities	2,083,389	1,557,844	372,727
Totals	\$ 49,455,612	\$ 2,117,601	\$ 1,899,522
Component Unit:			
Digital Academy	\$ 209,313	\$ 0	\$ 150,000

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (Restated See Note 2)

Net Assets End of Year

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Digital Academy
\$ (24,571,491)	\$ 0	\$ (24,571,491)	
(2,396,622)	0	(2,396,622)	
(4,113,096)	0	(4,113,096)	
(13,542)	0	(13,542)	
(3,279,942)	0	(3,279,942)	
(1,015,580)	0	(1,015,580)	
(611,409)	0	(611,409)	
(3,509,070)	0	(3,509,070)	
(2,296,778)	0	(2,296,778)	
(174,809)	0	(174,809)	
(26,626)	0	(26,626)	
(802,461)	0	(802,461)	
(2,474,245)	0	(2,474,245)	
<u>(45,285,671)</u>	<u>0</u>	<u>(45,285,671)</u>	
0	(206,124)	(206,124)	
0	(12,253)	(12,253)	
0	(363)	(363)	
0	65,922	65,922	
<u>0</u>	<u>(152,818)</u>	<u>(152,818)</u>	
<u>\$ (45,285,671)</u>	<u>\$ (152,818)</u>	<u>\$ (45,438,489)</u>	
			<u>\$ (59,313)</u>
21,983,411	0	21,983,411	0
2,549,452	0	2,549,452	0
2,984,634	0	2,984,634	0
14,829,513	0	14,829,513	85,857
37,547	0	37,547	0
703,889	0	703,889	0
<u>43,088,446</u>	<u>0</u>	<u>43,088,446</u>	<u>85,857</u>
(2,197,225)	(152,818)	(2,350,043)	26,544
<u>7,592,323</u>	<u>(112,348)</u>	<u>7,479,975</u>	<u>150,000</u>
<u>\$ 5,395,098</u>	<u>\$ (265,166)</u>	<u>\$ 5,129,932</u>	<u>\$ 176,544</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2004

	General	Bond Retirement	Permanent Improvement
Assets:			
Cash and Cash Equivalents	\$ 565,885	\$ 130,570	\$ 956,922
Receivables:			
Taxes	24,840,429	2,526,233	2,937,978
Accounts	8,851	0	0
Intergovernmental	0	0	0
Interfund Loan Receivable	2,362	0	655,170
Prepaid Items	88,464	0	791
Restricted Assets:			
Advance to Other Funds	252,232	0	0
Total Assets	\$ 25,758,223	\$ 2,656,803	\$ 4,550,861
Liabilities:			
Accounts Payable	43,949	0	63,922
Accrued Wages and Benefits	3,001,226	0	0
Intergovernmental Payable	768,088	0	0
Due to Other Funds	94,902	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue - Taxes	23,400,823	2,355,770	2,754,066
Deferred Revenue	0	0	0
Early Retirement Incentive Payable	45,000	0	0
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Compensated Absences Payable	159,079	0	0
Total Liabilities	27,513,067	2,355,770	2,817,988
Fund Balances:			
Reserved for Encumbrances	152,905	0	626,088
Reserved for Prepaid Items	88,464	0	791
Reserved for Debt Service	0	130,570	0
Reserved for Property Taxes	1,439,606	170,463	183,912
Reserved for Advances	252,232	0	0
Unreserved, Undesignated in:			
General Fund (Deficit)	(3,688,051)	0	0
Special Revenue Funds	0	0	0
Capital Projects Funds	0	0	922,082
Total Fund Balances	(1,754,844)	301,033	1,732,873
Total Liabilities and Funds Balances	\$ 25,758,223	\$ 2,656,803	\$ 4,550,861

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
\$ 135,109	\$ 482,973	\$ 2,271,459
0	0	30,304,640
0	0	8,851
0	71,976	71,976
0	0	657,532
0	0	89,255
0	0	252,232
<u>\$ 135,109</u>	<u>\$ 554,949</u>	<u>\$ 33,655,945</u>
345	7,476	115,692
0	148,261	3,149,487
0	34,023	802,111
0	3,144	98,046
0	2,362	2,362
0	0	28,510,659
0	10,039	10,039
0	0	45,000
5,923	0	5,923
3,400,000	0	3,400,000
0	0	159,079
<u>3,406,268</u>	<u>205,305</u>	<u>36,298,398</u>
72,161	40,915	892,069
0	0	89,255
0	0	130,570
0	0	1,793,981
0	0	252,232
0	0	(3,688,051)
0	308,729	308,729
(3,343,320)	0	(2,421,238)
<u>(3,271,159)</u>	<u>349,644</u>	<u>(2,642,453)</u>
<u>\$ 135,109</u>	<u>\$ 554,949</u>	<u>\$ 33,655,945</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2004

Total Governmental Fund Balances	\$ (2,642,453)
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	53,341,380
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	2,350,064
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(979,768)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Pension Obligation (Intergovernmental Payable)	(315,820)
Long-Term Notes Payable	(840,000)
General Obligation Bonds Payable	(41,083,980)
Capital Leases Payable	(1,966,000)
Compensated Absences Payable	(2,320,155)
Accrued Interest Payable	(148,170)
	(46,674,125)
<i>Net Assets of Governmental Activities</i>	<u>\$ 5,395,098</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Permanent Improvement
Revenues:			
Local Sources:			
Taxes	\$ 20,792,502	\$ 2,380,864	\$ 2,760,851
Tuition	122,023	0	0
Transportation Fees	15,132	0	0
Investment Earnings	38,562	0	0
Extracurricular Activities	0	0	0
Class Materials and Fees	116,301	0	0
Intergovernmental - State	14,066,130	639,355	211,405
Intergovernmental - Federal	0	0	0
All Other Revenue	571,613	0	0
Total Revenue	35,722,263	3,020,219	2,972,256
Expenditures:			
Current:			
Instruction	20,735,895	0	813,825
Supporting Services:			
Pupils	2,301,282	0	10,515
Instructional Staff	2,764,852	0	594,619
Board of Education	11,508	0	0
Administration	3,119,004	0	763
Fiscal Services	886,855	38,572	59,377
Business	526,659	0	73,216
Operation and Maintenance of Plant	3,165,905	0	280,360
Pupil Transportation	1,788,147	0	191,456
Central	158,577	0	0
Operation of Non-Instructional Services	1,694	0	0
Extracurricular Activities	747,089	0	0
Capital Outlay	0	0	546,475
Debt Service:			
Principal Retirement	265,000	3,400,000	0
Interest and Fiscal Charges	54,322	1,799,032	0
Total Expenditures	36,526,789	5,237,604	2,570,606
Excess (Deficiency) of Revenues			
Over Expenditures	(804,526)	(2,217,385)	401,650
Other Financing Sources (Uses):			
Sale of Capital Assets	39,619	0	0
General Obligation Refunding Bonds Issued	0	2,304,999	0
Transfers In	0	0	0
Transfers Out	0	(49,026)	0
Total Other Financing Sources (Uses)	39,619	2,255,973	0
Net Change in Fund Balance	(764,907)	38,588	401,650
Fund Balances at Beginning of Year	(989,937)	262,445	1,331,223
Fund Balances End of Year	\$ (1,754,844)	\$ 301,033	\$ 1,732,873

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 25,934,217
0	0	122,023
0	0	15,132
6,536	0	45,098
0	385,954	385,954
0	0	116,301
0	259,643	15,176,533
0	1,221,589	1,221,589
0	21,931	593,544
<u>6,536</u>	<u>1,889,117</u>	<u>43,610,391</u>
0	814,361	22,364,081
0	123,996	2,435,793
0	395,672	3,755,143
0	0	11,508
0	173,860	3,293,627
0	23,433	1,008,237
0	3,695	603,570
0	0	3,446,265
0	1,599	1,981,202
0	30,767	189,344
0	92,025	93,719
0	238,926	986,015
1,035,573	0	1,582,048
0	0	3,665,000
<u>50,627</u>	<u>0</u>	<u>1,903,981</u>
<u>1,086,200</u>	<u>1,898,334</u>	<u>47,319,533</u>
(1,079,664)	(9,217)	(3,709,142)
0	0	39,619
0	0	2,304,999
49,026	0	49,026
<u>0</u>	<u>0</u>	<u>(49,026)</u>
<u>49,026</u>	<u>0</u>	<u>2,344,618</u>
(1,030,638)	(9,217)	(1,364,524)
<u>(2,240,521)</u>	<u>358,861</u>	<u>(1,277,929)</u>
<u>\$ (3,271,159)</u>	<u>\$ 349,644</u>	<u>\$ (2,642,453)</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (1,364,524)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (1,909,472)

The effect of disposals of capital assets is to decrease net assets. (38,547)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,524,988

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,474,512

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (570,264)

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

Compensated Absences (29,216)
Pension Obligation (Intergovernmental Payable) (35,547) (64,763)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (1,249,155)

Change in Net Assets of Governmental Activities \$ (2,197,225)

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For The Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive Negative</u>
Revenues:				
Local Sources:				
Taxes	\$ 20,439,975	\$ 20,186,609	\$ 20,186,609	\$ 0
Tuition	100,000	131,431	131,056	(375)
Transportation Fees	15,000	15,132	15,132	0
Investment Earnings	40,000	61,674	63,767	2,093
Class Material and Fees	0	114,845	114,845	0
Intergovernmental - State	15,195,943	14,066,130	14,066,130	0
All Other Revenues	0	241,378	301,498	60,120
Total Revenues	<u>35,790,918</u>	<u>34,817,199</u>	<u>34,879,037</u>	<u>61,838</u>
Expenditures:				
Current:				
Instruction	20,824,966	21,168,672	21,165,074	3,598
Support Services:				
Pupils	2,293,497	2,253,477	2,252,269	1,208
Instructional Staff	2,821,103	2,827,427	2,824,548	2,879
Board of Education	12,571	12,705	11,508	1,197
Administration	3,015,215	3,011,689	3,005,039	6,650
Fiscal Services	835,669	882,833	881,028	1,805
Business	573,228	540,469	537,422	3,047
Operation and Maintenance of Plant	3,184,562	3,180,505	3,176,195	4,310
Pupil Transportation	1,786,980	1,850,647	1,848,838	1,809
Central	159,848	164,823	163,334	1,489
Non-Instructional Operations	5,851	2,851	2,636	215
Extracurricular Activities	647,423	745,156	743,840	1,316
Debt Service:				
Principal Retirement	265,000	265,000	265,000	0
Interest and Fiscal Charges	54,322	54,322	54,322	0
Total Expenditures	<u>36,480,235</u>	<u>36,960,576</u>	<u>36,931,053</u>	<u>29,523</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(689,317)	(2,143,377)	(2,052,016)	91,361
Other Financing Sources (Uses):				
Sale of Capital Assets	0	39,619	39,619	0
Advances In	0	280,670	280,670	0
Advances Out	0	(2,362)	(2,362)	0
Refund of Prior Year's Expenditures	0	317,203	317,203	0
Total Other Financing Sources (Uses):	<u>0</u>	<u>635,130</u>	<u>635,130</u>	<u>0</u>
Net Change in Fund Balance	(689,317)	(1,508,247)	(1,416,886)	91,361
Fund Balance at Beginning of Year	1,432,732	1,432,732	1,432,732	0
Prior Year Encumbrances	350,586	350,586	350,586	0
Fund Balance at End of Year	<u>\$ 1,094,001</u>	<u>\$ 275,071</u>	<u>\$ 366,432</u>	<u>\$ 91,361</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

***Statement of Net Assets
Proprietary Funds
June 30, 2004***

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Assets:		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 134,017	\$ 0
Receivables:		
Accounts	834	1,373
Intergovernmental	32,355	0
Due from Other Funds	0	103,914
Inventory of Supplies at Cost	18,975	0
Prepaid Items	102	0
<i>Total Current Assets</i>	<u>186,283</u>	<u>105,287</u>
<i>Non Current Assets:</i>		
Capital Assets, Net	489,192	0
Total Assets	<u>675,475</u>	<u>105,287</u>
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	22,528	2,132
Accrued Wages and Benefits	84,549	0
Intergovernmental Payable	101,520	0
Claims Payable	0	863,691
Due to Other Funds	5,868	0
Interfund Loans Payable	435,938	219,232
<i>Total Current Liabilities</i>	<u>650,403</u>	<u>1,085,055</u>
<i>Long Term Liabilities:</i>		
Advances from Other Funds	252,232	0
Compensated Absences Payable	38,006	0
<i>Total Long Term Liabilities</i>	<u>(290,238)</u>	<u>0</u>
Total Liabilities	<u>940,641</u>	<u>1,085,055</u>
Net Assets:		
Invested in Capital Assets	489,192	0
Unrestricted	(754,358)	(979,768)
Total Net Assets	<u>\$ (265,166)</u>	<u>\$ (979,768)</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	<u> </u>	<u> </u>
Operating Revenues:		
Sales	\$ 1,057,455	\$ 0
Tuition and Fees	494,782	0
Interfund Charges	0	4,480,923
All Other Revenue	5,907	0
Total Operating Revenues	<u>1,558,144</u>	<u>4,480,923</u>
Operating Expenses:		
Salaries and Wages	774,309	0
Fringe Benefits	403,813	0
Contractual Services	48,672	434,034
Supplies and Materials	704,068	0
Depreciation	59,657	0
Claims	0	5,346,289
Other Operating Expense	42,625	0
Total Operating Expenses	<u>2,033,144</u>	<u>5,780,323</u>
Operating Loss	(475,000)	(1,299,400)
Nonoperating Revenue (Expenses):		
Operating Grants	372,427	0
Total Nonoperating Revenues (Expenses)	<u>372,427</u>	<u>0</u>
Change in Net Assets	(102,573)	(1,299,400)
Net Assets Beginning of Year	(162,593)	319,632
Net Assets End of Year	<u>\$ (265,166)</u>	<u>\$ (979,768)</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

***Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$1,058,347	\$0
Cash Received from Tuition and Fee Payments	501,009	0
Cash Received from Interfund Charges	0	5,076,529
Cash Payments for Goods and Services	(664,249)	(434,034)
Cash Payments to Employees for Services and Benefits	(1,245,126)	(5,024,451)
Net Cash Used for Operating Activities	(350,019)	(381,956)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Receipt of Interfund Loan Proceeds	435,938	219,232
Repayment of Advance	(269,319)	0
Operating Grants Received	251,078	0
Net Cash Provided by Noncapital Financing Activities	417,697	219,232
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and Construction of Assets	(31,493)	0
Net Cash Used by Capital and Related Financing Activities	(31,493)	0
Net Increase (Decrease) in Cash and Cash Equivalents	36,185	(162,724)
Cash and Cash Equivalents at Beginning of Year	97,832	162,724
Cash and Cash Equivalents at End of Year	\$134,017	\$0
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>		
Operating Loss	(\$475,000)	(\$1,299,400)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation Expense	59,657	0
Donated Commodities Used During the Year	118,891	0
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	1,212	762
Decrease in Due from Other Funds	0	594,844
Increase in Inventory	(5,199)	0
Increase in Prepaid Items	(102)	0
Increase in Accounts Payable	17,526	2,132
Decrease in Accrued Wages and Benefits	(30,087)	0
Decrease in Due to Other Funds	(32,600)	0
Decrease in Intergovernmental Payables	(2,670)	0
Increase in Claims Payable	0	319,706
Decrease in Compensated Absences	(1,647)	0
Total Adjustments	124,981	917,444
Net Cash Used for Operating Activities	(\$350,019)	(\$381,956)

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2003, \$118,891 in donated commodities from the federal government.

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Special Trust Fund	Agency Funds
Assets:		
Cash and Cash Equivalents	\$ 3,165	\$ 41,767
Investments	11,664	0
Receivables:		
Interest	28	0
Restricted Assets:		
Total Assets	<u>14,857</u>	<u>41,767</u>
Liabilities:		
Due to Others	0	4,079
Due to Students	0	37,688
Total Liabilities	<u>0</u>	<u>41,767</u>
Net Assets:		
Unrestricted	14,857	0
Total Net Assets	<u>\$ 14,857</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust <u>Special Trust</u> <u>Fund</u>
Additions:	
Contributions:	
Sales	\$ 579
Private Donations	2,776
Total Contributions	<u>3,355</u>
Investment Earnings:	
Interest	271
Total Additions	<u>3,626</u>
Deductions:	
Administrative Expenses	1,612
Community Gifts, Awards and Scholarships	1,375
Total Deductions	<u>2,987</u>
Change in Net Assets	639
Net Assets at Beginning of Year	<u>14,218</u>
Net Assets End of Year	<u><u>\$ 14,857</u></u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 209 noncertified and approximately 353 certified teaching personnel and administrative employees providing education to 4,843 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. Based on the foregoing, the District has one component unit, the Marysville Digital Academy (the "Academy"). The reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

Discreetly Presented Component Unit - The component unit column on the Financial Statements includes the financial data of the District's component unit. It is reported in a separate column to emphasize that it is legally separate from the District.

The Marysville Digital Academy (the "Academy") is a legally separate not-for-profit served by an appointed six-member Board of Directors. The Academy, under a contractual agreement with the Marysville Exempted Village School District, provides comprehensive educational programs of high quality, tied to state and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is operated in cooperation with the District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses, and others, including home-schooled students. The District elects three persons employed and serving in administrator positions within the District, one member who is neither an officer nor employee of the District who is a public educator or other public official representing a governmental entity that desires to further the establishment and operation of the Academy, and one member who is neither an officer nor employee of the District who is a representative initially appointed by the Tri-Rivers Educational Computer Association (TRECA). However the TRECA representative shall within one year following the incorporation

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

of the Academy, be replaced by a person who represents the interests of parents and students served by the Academy. In addition, the Board of Directors shall include the Marysville Exempted Village School District Treasurer as a non-voting ex officio member who serves the Board of Directors in her official capacity as a representative of the Marysville Exempted Village School District Board of Education and its interests. Therefore, the Academy is reflected as a component unit of the Marysville Exempted Village School District. The Academy operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from Marysville Digital Academy, 1000 Edgewood Drive, Marysville, Ohio, 43040.

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

B. Basis of Presentation - Fund Accounting

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

The following fund types are used by the District:

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

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

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Building Acquisition and Construction Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by proprietary funds).

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

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

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

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The Self Insurance Fund accounts for the interfund charges and claim payments applicable to the employee health and dental plans.

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

C. Basis of Presentation and Measurement Focus – Financial Statements

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

Current property taxes measurable at June 30, 2004, and which are not intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2004 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the District follows GASB guidance as applicable to proprietary funds and governmental activities and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

E. Budgetary Process

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

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

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Appropriations

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance
	<u>General Fund</u>
GAAP Basis (as reported)	(\$764,907)
Increase (Decrease):	
Accrued Revenues at June 30, 2004, received during FY 2005	(1,450,819)
Accrued Revenues at June 30, 2003, received during FY 2004	1,197,746
Accrued Expenditures at June 30, 2004, paid during FY 2005	4,112,244
Accrued Expenditures at June 30, 2003, paid during FY 2004	(4,291,472)
FY 2003 Prepays for FY 2004	60,636
FY 2004 Prepays for FY 2005	(88,464)
Adjustment to Fair Value	7,603
Encumbrances Outstanding	<u>(199,453)</u>
Budget Basis	<u>(\$1,416,886)</u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, investments with original maturities of three months or less and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

The District has invested funds in STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004. See Note 5, "Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

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

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

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

3. Depreciation

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

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

K. Long-Term Obligations

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

M. Net Assets

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

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

N. Pensions

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

O. Interfund Activity

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

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

Q. Estimates

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

R. Operating Revenues and Expenses

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

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

During the fiscal year ended June 30, 2004, the District discovered that some capital assets had not been recorded in the Statement of Net Assets for Governmental Activities. The correction of this error resulted in the restatement of net assets at June 30, 2003 of the Governmental Activities as follows:

	Governmental Activities
Net Assets Balance at June 30, 2003 as reported	<u>\$7,232,016</u>
Correction of capital assets	<u>360,307</u>
Net Assets Balance at June 30, 2003 as restated	<u><u>\$7,592,323</u></u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

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

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

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

Capital Outlay	\$1,863,894
Depreciation Expense	<u>(3,773,366)</u>
	(\$1,909,472)

Governmental revenues not reported in the funds:

Increase in Delinquent Tax Revenue	\$1,583,280
Decrease in Investment Earnings	(7,551)
Decrease in Grants Receivable	<u>(50,741)</u>
	\$1,524,988

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

Bond Principal Payment	\$3,400,000
Installment Loans Payable	265,000
Refunding Bonds Issued	(2,304,999)
Capital Lease Payment	<u>114,511</u>
	\$1,474,512

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2004 of \$1,754,844 in the General Fund, \$3,289 in the Student Intervention Grant Fund, and \$1,764 in the Chapter I Fund (special revenue funds), arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit at June 30, 2004 of \$3,271,159 in the Building Acquisition and Construction Fund (capital project fund) is the result of recognizing notes payable as a liability under the modified accrual basis. These deficits do not exist under the cash basis of accounting. The fund deficits at June 30, 2004 of \$328,667 in the Food Service Fund (enterprise fund) and \$979,678 in the Self-Insurance Fund (internal fund) arose from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis.

In addition to the deficit balances described above, the District also had deficit cash basis fund balances at year end and during the year for the Food Service and Self-Insurance Funds. At December 31, 2003, the Food Service Fund had a negative fund balance of \$589,961 and the Self-Insurance Fund had a negative fund balance of \$4,558,281. At June 30, 2004, the Food Service Fund had a negative fund balance of \$301,922 and the Self-Insurance Fund had a negative fund balance of \$219,232. This is in noncompliance with Ohio Revised Code 5705.10.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY (Continued)

The District loaned money from the Permanent Improvement Fund to the Food Service and Self-Insurance Funds in the amount of \$435,938 and \$219,232 creating an interfund receivable for the Permanent Improvement Fund and interfund payable for the Food Service and Self-Insurance Funds because the pooled cash in these funds were over drafted at June 30, 2004. The interfund transactions are in noncompliance with Auditor of State Bulletin 97-003 and Ohio Revised Code 5705.10.

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by the special trust fund.

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

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

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

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

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

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

A. Deposits

At year end the carrying amount of the District's deposits was of \$2,425,584 and the bank balance was \$2,713,353. The Federal Deposit Insurance Corporation (FDIC) covered \$224,248 of the bank balance and all remaining deposits were classified as Category 3.

B. Investments

During the year, the District invested in federal securities for a maximum of \$7,595,699. The investments were redeemed and cash was placed in the main checking account and were expended. The District's investments at June 30, 2004 are summarized below:

	<u>Fair Value</u>
<u>Non-Categorized Investments</u>	
STAR Ohio	\$36,488
Total Investments	<u>\$36,488</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Balance Sheet	\$2,450,408	\$11,664
Certificates of Deposit (with maturities of more than 3 months)	11,664	(11,664)
STAR Ohio	<u>(36,488)</u>	<u>36,488</u>
Per GASB Statement No. 3	<u>\$2,425,584</u>	<u>\$36,488</u>

D. Component Unit

At year end the carrying amount of the Academy's deposits was of \$16,910 and the bank balance was \$26,488. The Federal Deposit Insurance Corporation (FDIC) covered \$26,488 of the bank balance.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2004 were levied in April 2003 on assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marysville Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2004, upon which the 2003 levies were based, were as follows:

	Assessed Values for Collection in:	
	2003 Second Half	2004 First Half
Agricultural/Residential and Other Real Estate	\$461,298,910	\$479,160,780
Public Utility Personal	31,614,380	33,708,920
Tangible Personal Property	166,053,975	168,387,890
Total Assessed Value	<u>\$658,967,265</u>	<u>\$681,257,590</u>
Tax rate per \$1,000 of assessed valuation	\$47.56	\$52.56

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts, and intergovernmental receivables.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2004:

	Interfund Loans Receivables	Interfund Loans Payables
General Fund	\$2,362	\$0
Permanent Improvement Fund	655,170	
Nonmajor Governmental Funds	0	2,362
Nonmajor Enterprise Fund	0	435,938
Internal Service Fund	0	219,232
Totals	<u>\$657,532</u>	<u>\$657,532</u>

	Advance to Other Fund	Advance from Other Fund
General Fund	\$252,232	\$0
Nonmajor Enterprise Fund	0	252,232
Totals	<u>\$252,232</u>	<u>\$252,232</u>

	Due From Other Funds	Due to Other Funds
General Fund	\$0	\$94,902
Nonmajor Governmental Funds	0	3,144
Nonmajor Enterprise Fund	0	5,868
Internal Service Fund	103,914	0
Totals	<u>\$103,914</u>	<u>\$103,914</u>

NOTE 9 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for fiscal year 2004:

Fund	Transfers In	Transfers Out
Bond Retirement Fund	\$0	\$49,026
Building Acquisition and Construction Fund	49,026	0
Total All Funds	<u>\$49,026</u>	<u>\$49,026</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2004:

Historical Cost:

Class	Restated June 30, 2003	Additions	Deletions	June 30, 2004
<i>Capital Assets not being depreciated:</i>				
Land	\$1,640,099	\$0	\$0	\$1,640,099
Construction in Progress	619,406	1,352,983	(1,839,204)	133,185
Subtotal	<u>2,259,505</u>	<u>1,352,983</u>	<u>(1,839,204)</u>	<u>1,773,284</u>
<i>Capital Assets being depreciated:</i>				
Land Improvements	3,075,210	218,909	0	3,294,119
Buildings and Improvements	54,999,869	1,599,139	0	56,599,008
Furniture, Fixtures and Equipment	13,781,303	290,937	(35,484)	14,036,756
Vehicles	2,061,739	241,130	(123,454)	2,179,415
Subtotal	<u>73,918,121</u>	<u>2,350,115</u>	<u>(158,938)</u>	<u>76,109,298</u>
Total Cost	<u><u>\$76,177,626</u></u>	<u><u>\$3,703,098</u></u>	<u><u>(\$1,998,142)</u></u>	<u><u>\$77,882,582</u></u>

Accumulated Depreciation:

Class	Restated June 30, 2003	Additions	Deletions	June 30, 2004
Land Improvements	(\$1,481,147)	(\$199,226)	\$0	(\$1,680,373)
Buildings and Improvements	(11,505,147)	(1,730,036)	0	(13,235,183)
Furniture, Fixtures and Equipment	(6,985,265)	(1,627,041)	9,283	(8,603,023)
Vehicles	(916,668)	(217,063)	111,108	(1,022,623)
Total Depreciation	<u>(\$20,888,227)</u>	<u>(\$3,773,366) *</u>	<u>\$120,391</u>	<u>(\$24,541,202)</u>
<i>Net Value:</i>	<u><u>\$55,289,399</u></u>			<u><u>\$53,341,380</u></u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$2,869,922
Support Services:	
Pupils	86,404
Instructional Staff	313,867
Board of Education	2,034
Administration	101,373
Fiscal Services	12,976
Business	2,416
Operations & Maintenance of Plant	57,493
Pupil Transportation	227,977
Extracurricular Activities	98,904
Total Depreciation Expense	<u><u>\$3,773,366</u></u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 10 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2004:

Historical Cost:

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Furniture and Equipment	\$1,022,035	\$31,493	\$0	\$1,053,528
Total Cost	<u>\$1,022,035</u>	<u>\$31,493</u>	<u>\$0</u>	<u>\$1,053,528</u>

Accumulated Depreciation:

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Furniture and Equipment	(\$504,679)	(\$59,657)	\$0	(\$564,336)
Total Depreciation	<u>(\$504,679)</u>	<u>(\$59,657)</u>	<u>\$0</u>	<u>(\$564,336)</u>

<i>Net Value:</i>	<u>\$517,356</u>	<u>(\$28,164)</u>	<u>\$0</u>	<u>\$489,192</u>
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C. Component Unit

Summary by category of changes in capital assets at June 30, 2004:

Historical Cost:

Class	June 30, 2003	Additions	Deletions	June 30, 2004
<i>Capital Assets being depreciated:</i>				
Furniture, Fixtures and Equipment	\$0	\$64,919	\$0	\$64,919
Total Cost	<u>\$0</u>	<u>\$64,919</u>	<u>\$0</u>	<u>\$64,919</u>

Accumulated Depreciation:

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Furniture, Fixtures and Equipment	\$0	(\$6,234)	\$0	(\$6,234)
Total Depreciation	<u>\$0</u>	<u>(\$6,234)</u>	<u>\$0</u>	<u>(\$6,234)</u>
<i>Net Value:</i>	<u>\$0</u>			<u>\$58,685</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2004, 9.09% was allocated to fund the pension benefit and 4.91% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$853,848, \$727,213, and \$572,938, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount contributed to fund health care benefits, including the surcharge, amounted to \$386,834.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System of Ohio (SERS of Ohio)

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 62,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. Net assets available for payment of benefits at June 30, 2004 was \$300.8 million.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2004, 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$2,666,400, \$2,296,370, and \$1,976,794, respectively, which were equal to the required contributions for each year.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money purchase benefit or a lump-sum payment in addition to the original retirement allowance.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2004, the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$190,457 for the District. The balance of the Health Care Reserve Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, the net health care costs paid by STRS were \$268,739,000. There were 111,853 eligible benefit recipients.

NOTE 12 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2004, was as follows:

Note Payable		Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Bond Anticipation Note	1.45%	\$3,400,000	\$0	(\$3,400,000)	\$0
Bond Anticipation Note	1.87%	0	3,400,000	0	3,400,000
		<u>\$3,400,000</u>	<u>\$3,400,000</u>	<u>(\$3,400,000)</u>	<u>\$3,400,000</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds, installment loans, compensated absences, and capital leases of the District for the year ended June 30, 2004 is as follows:

		Balance June 30, 2003	Issued	(Retired)	Balance June 30, 2004	Due Within One Year
Governmental Activities						
(General Obligation Bonds)						
New High School	7.13%	\$3,324,999	\$0	(\$3,115,000)	\$209,999	\$0
Refunding New Elementary	3.4-5.15%	7,582,973	0	(25,000)	7,557,973	105,000
Fifth/Sixth Elementary	5.79%	1,654,222	0	(20,000)	1,634,222	20,000
New Elementary and Middle School	4.35-5.375%	13,659,995	0	(50,000)	13,609,995	50,000
Refunding Fifth/Sixth Elementary		13,044,974		(190,000)	12,854,974	195,000
Refunding New High School		0	2,304,999	0	2,304,999	880,000
		<u>39,267,163</u>	<u>2,304,999</u>	<u>(3,400,000)</u>	<u>38,172,162</u>	<u>1,250,000</u>
Interest Accretion		2,329,914	581,904	0	2,911,818	0
Total General Obligation Bonds		<u>41,597,077</u>	<u>2,886,903</u>	<u>(3,400,000)</u>	<u>41,083,980</u>	<u>1,250,000</u>
(Installment Loans)						
Energy Conservation Project	4.95%	190,000	0	(190,000)	0	0
Energy Conservation Project	5.60%	25,000	0	(25,000)	0	0
Energy Conservation Project	3.4-4.85%	890,000	0	(50,000)	840,000	55,000
Total Installment Loans		<u>1,105,000</u>	<u>0</u>	<u>(265,000)</u>	<u>840,000</u>	<u>55,000</u>
Compensated Absences		2,290,939	629,020	(440,725)	2,479,234	159,079
Capital Leases Payable		2,080,511	0	(114,511)	1,966,000	68,000
Total Governmental Activities		<u>\$47,073,527</u>	<u>\$3,515,923</u>	<u>(\$4,220,236)</u>	<u>\$46,369,214</u>	<u>\$1,532,079</u>
Business-Type Activities						
Compensated Absences		39,653	16,056	(17,703)	38,006	0
Total Business-Type Activities		<u>\$47,113,180</u>	<u>\$3,531,979</u>	<u>(\$4,237,939)</u>	<u>\$46,407,220</u>	<u>\$1,532,079</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2004, follows:

Years	General Obligation Bonds		Installment Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$1,250,000	\$1,724,378	\$55,000	\$41,521	\$1,305,000	\$1,765,899
2006	502,545	2,413,344	55,000	39,390	557,545	2,452,734
2007	719,165	2,367,154	55,000	37,218	774,165	2,404,372
2008	813,289	2,295,952	60,000	34,272	873,289	2,330,224
2009	1,590,000	1,615,929	65,000	30,429	1,655,000	1,646,358
2010-2014	5,430,684	10,403,678	375,000	92,119	5,805,684	10,495,797
2015-2019	5,351,505	12,693,545	175,000	8,609	5,526,505	12,702,154
2020-2024	8,749,974	9,666,414	0	0	8,749,974	9,666,414
2025-2029	12,135,000	2,070,196	0	0	12,135,000	2,070,196
2030	1,630,000	42,981	0	0	1,630,000	42,981
Totals	<u>\$38,172,162</u>	<u>\$45,293,571</u>	<u>\$840,000</u>	<u>\$283,558</u>	<u>\$39,012,162</u>	<u>\$45,577,129</u>

B. Defeased Debt

In December 1993, the District defeased \$6,165,000 of General Obligation Bonds for the High School Building, dated April 1, 1990, through the issuance of \$6,084,999 of General Obligation Bonds for the High School Building. The net proceeds of the 1993 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$4,320,000 at June 30, 2004, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2001, the District defeased \$7,669,538 of General Obligation Bonds for the New Elementary Additions, dated October 1, 1995, through the issuance of \$7,667,973 of General Obligation Bonds for the New Elementary Additions. The net proceeds of the 2001 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$7,514,538 at June 30, 2004, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

B. Defeased Debt (Continued)

In March 2002, the District defeased \$13,335,000 of General Obligation Bonds for the Fifth/Sixth Elementary Building, dated March 1, 2000, through the issuance of \$13,334,974 of General Obligation Bonds for the Fifth/Sixth Elementary Building. The net proceeds of the 2002 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,335,000 at June 30, 2004, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In December 2003, the District current refunded \$2,305,000 of General Obligation Bonds for the High School Building Refunding, dated December 1, 1993, through the issuance of \$2,304,999 of General Obligation Bonds for the Fifth/Sixth Elementary Building. The District reduced its aggregate debt service payments over the life of the refunded bonds by \$158,763 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$32,380.

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 14 - CAPITALIZED LEASES

The District leases several pieces of equipment (computer equipment,) and building and land improvements under capital leases. The cost of the capital assets obtained under capital leases is \$2,266,000 which is included in the Governmental Activities Capital Assets and the related liability is included in the Governmental Activities Long-Term Liabilities.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2004:

Year Ending June 30,	Capital Leases
2005	\$155,612
2006	155,044
2007	155,235
2008	155,191
2009	154,918
2010-2014	776,424
2015-2019	772,866
20020-2023	618,612
Minimum Lease Payments	2,943,902
Less: Amount representing interest at the District's incremental borrowing rate of interest	(977,902)
Present Value of minimum lease payments	\$1,966,000

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2004 the District contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Marsh Insurance Company	Automobile	\$100
Marsh Insurance Company	Property	\$1,000
Harcum & Schuett Insurance Company	General Liability	\$0

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004***

NOTE 15 - RISK MANAGEMENT (Continued)

The District provides group health, dental and vision benefits to employees and their eligible dependents through a self-insured program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) are available to pay claims and administrative costs. The plan is administered by a third party administrator, E-V Benefits, Inc., which monitors all claim payments. Excess loss coverage, becomes effective after \$90,000 per year per specific claim. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$863,691 reported in the fund at June 30, 2004 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2004 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2003	\$508,640	\$4,151,485	(\$4,116,140)	\$543,985
2004	543,985	5,344,157	(5,024,451)	863,691

NOTE 16 – CONSTRUCTION COMMITMENTS

As of June 30, 2004, the District had the following commitment with respect to capital projects:

<u>Capital Projects</u>	<u>Amount Remaining</u>
Tennis Courts	\$94,346

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 17 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2004, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2003	\$0	\$0	\$0
Current Year Set-Aside Requirement	650,113	650,113	1,300,226
Qualifying Disbursements	(814,258)	(2,306,430)	(3,120,688)
Total	<u>(\$164,145)</u>	<u>(\$1,656,317)</u>	<u>(\$1,820,462)</u>
Cash Balance Carried Forward to FY 2005	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

NOTE 18 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. State School Funding

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 19 – MANAGEMENT’S PLAN/FINANCIAL CONDITION

For fiscal year 2004, the District has a GAAP basis net change in fund balance for the General Fund of (\$764,907) and a fund balance deficit of (\$1,754,844). However, projected revenues and expenses for fiscal year 2005 indicate that these financial difficulties could be alleviated during fiscal year 2005. Projected revenues for 2005 include an operating levy renewal and a twenty-nine percent increase in personal property taxes. The increase in personal property taxes is due to a Board of Tax Appeals decision to include previously excluded equipment and machinery as tangible taxable personal property.

The Enterprise and Internal Service Funds have a net loss of (\$102,573) and (\$1,299,400) with ending net asset deficits of (\$265,166) and (\$979,768), respectively. The Enterprise Fund deficit is the result of operating losses for the Food Service program. However, projected revenues and expenses for fiscal year 2005 indicate that these financial difficulties could be alleviated during fiscal year 2005. During fiscal years 2004 and 2005, the District has reduced staffing for the foodservice program, implemented new menus to increase participation, and has increased foodservice prices to reduce expenses and increase revenues. During fiscal year 2005, the District converted from medical self-insurance to a traditional health insurance plan. This decision is intended to help reduce costs for all funds, with the majority of the cost savings impacting the Internal Service Fund.

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$ -	\$ 118,891	\$ -	\$ 118,891
School Breakfast	045476-05PU/RE-2004	10.553	5,725	-	3,475	-
National School Lunch Program	045476-LLP4-2003/2004 045476-VGS1-2003	10.555	267,603	-	267,595	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>273,328</u>	<u>118,891</u>	<u>271,070</u>	<u>118,891</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045476-C1S1-2003/2004	84.010	252,875	-	255,715	-
Special Education Cluster:						
Special Education_Grants to States	045476-6BSA-2003/04-P 045476-6BSF/2004/2004-P	84.027	564,661	-	539,128	-
Special Education_Preschool Grant	045476-PGS1-2004	84.173	6,588	-	6,588	-
Total Special Education Cluster			<u>571,249</u>	<u>-</u>	<u>545,716</u>	<u>-</u>
Safe and Drug-Free Schools and Communities_State Grants	045476-DRS1-2003/2004	84.186	18,730	-	19,203	-
Innovative Educational Program Strategies	045476-C2S1-2003/2004	84.298	34,250	-	24,856	-
Education Technology State Grants	045476-TJS1-2004	84.318	6,660	-	6,807	-
Comprehensive School Reform Demonstration	045476-RFS2-2002 045476-RFS3-2003	84.332	158,054	-	151,811	-
Improving Teacher Quality State Grants	045476-ATS1-2002 045476-TRS1-2003/2004	84.367	177,966	-	159,685	-
Total U.S. Department of Education			<u>1,219,784</u>	<u>-</u>	<u>1,163,793</u>	<u>-</u>
<u>Corporation for National and Community Service</u>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America_School and Community Based Programs	045476-SVS4-03	94.004	-	-	1,250	-
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,493,112</u>	<u>\$ 118,891</u>	<u>\$ 1,436,113</u>	<u>\$ 118,891</u>

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 the financial statements of the governmental activities, business-type activities, the discretely presented component unit, 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated February 11, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Marysville Exempted Village School District, Union County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2005

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under ' .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster, CFDA # 84.027 and 84.173; Title II-A – Improving Teacher Quality, CFDA # 84.367
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

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

Finding Number	2004-001
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Material Noncompliance

Advances

Auditor of State Bulletin 97-003 and Ohio Rev. Code Section 5705.10 state, in part, that in order to advance cash from one fund to another fund, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. Any advances outstanding at the end of the fiscal year would be reported as an interfund loan receivable for the creditor fund and an interfund loan payable for the debtor fund.

To eliminate negative cash balances, the District advanced money from the Permanent Improvement Fund to the Foodservice and Internal Service Funds in the amounts of \$435,938 and \$219,232 respectively. The Permanent Improvement Fund was established to receipt and expend money generated from a permanent improvement tax levy for general permanent improvements. The advance of the money to the Foodservice and Internal Service Funds to eliminate negative cash balances is not in accordance with the purpose for which the Permanent Improvement Fund was established.

The District has made an adjustment on a cash basis to return the money to the Permanent Improvement Fund. An interfund receivable/payable was recorded on a GAAP basis to eliminate negative cash and cash equivalents for the Foodservice and Internal Service Funds.

We recommend, that in the future, the District only advance funds in accordance with Ohio Rev. Code Section 5705.10 and Auditor of State Bulletin 97-003.

Finding Number	2004-002
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Material Noncompliance

Negative Fund Balances

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of fund or funds carrying the deficit balance.

The District had the following negative fund cash balances, which indicates that money from one fund was used to cover the expenses of another fund. The following months are the largest deficit balances of the funds throughout the District's fiscal year.

Fund	Month Ended	Balance
006-Food Service	Dec, 2003	(\$ 589,961)
024-Insurance	Dec, 2003	(\$4,558,281)
006-Food Service	Jun, 2004	(\$ 301,922)
024-Insurance	Jun, 2004	(\$ 219,232)

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)

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

Finding Number	2004-002 (Continued)
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We recommend that the District evaluate their fees, rates, and costs structures to determine if fees and rates need to be increased or if there are procedures and policies that can be implemented to reduce costs necessary to operate certain programs, specifically, programs related to the foodservice and internal service funds.

Finding Number	2004-003
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Reportable Condition

Capital Asset Data

During fiscal year 2003 the District enlisted the services of an outside appraisal company to evaluate and appraise its capital assets inventory. When completed, the District input the data from the appraiser's report into their computerized inventory system (EIS). This computerized system tracks and maintains all capital asset data, including accumulated and current depreciation expense for all items capitalized.

The EIS inventory data system did not accurately calculate the current depreciation expense for fiscal year 2004. Furthermore, the ending balances from the computerized EIS system do not agree to the amounts as reported by the District for total capital assets, accumulated depreciation, or current depreciation. Adjustments were made by the District to properly record fixed asset items not included by the outside appraisal company, and to correct items omitted during the download to the EIS. However, no documentation to support these adjustments could be provided by the Treasurer's office, and no explanation was provided for the error in the computer system's calculation of current depreciation expense.

The District should review the system-generated capital asset data and determine what errors are causing the EIS system balances to not reconcile to the reported amounts for capital assets. The District should also contact their system administrator and determine the cause of the EIS system's erroneous calculation for current depreciation expense. An audit trail should be maintained for any adjustments or changes that are made to the capital asset system data and this documentation should be available for review when requested. By not making the necessary corrections, or determining the source of these errors, an adequate audit trail cannot be maintained to support the District's reported capital assets inventory.



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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 22, 2005**