MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Basic Financial Statements

June 30, 2007

with

Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Marysville Exempted Village School District, Union County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 26, 2008

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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Independent Auditors' Report

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective 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 January 17, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 17, 2008

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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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 2007 are as follows:

In total, net assets increased $1,746,926. Net assets of governmental activities increased $1,800,231, which represents a 13.2% increase from 2006. Net assets of business-type activities decreased $53,305 or 201% from 2006.

General revenues accounted for $54,567,754 in revenue or 91.6% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $5,028,781 or 8.4% of total revenues of $59,596,535.

The District had $55,214,499 in expenses related to governmental activities; only $2,446,976 of these expenses were offset by program specific charges for services, grants or contributions. General revenues were adequate to provide for these programs.

Among major funds, the general fund had $42,974,259 in revenues and $43,989,288 in expenditures. The general fund's fund balance decreased by $1,077,931 to ending balance of $283,167. The decrease is a result of less property tax money available as an advance in 2007.

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.

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 account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

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

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 2007 compared to 2006.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	$83,102,423	$99,574,752	($168,471)	($108,739)	$82,933,952	$99,466,013
Capital assets, Net	79,722,763	60,684,871	368,784	383,670	80,091,547	61,068,541
Total assets	162,825,186	160,259,623	200,313	274,931	163,025,499	160,534,554
Long-term debt outstanding	113,620,503	115,123,604	56,277	52,631	113,676,780	115,176,235
Other liabilities	33,740,037	31,471,604	223,860	248,819	33,963,897	31,720,423
Total liabilities	147,360,540	146,595,208	280,137	301,450	147,640,677	146,896,658
Net assets						
Invested in capital assets, net of related debt	14,693,750	10,561,718	368,784	383,670	15,062,534	10,945,388
Restricted	5,899,330	7,114,555	0	0	5,899,330	7,114,555
Unrestricted	(5,128,434)	(4,011,858)	(448,608)	(410,189)	(5,577,042)	(4,422,047)
Total net assets	$15,464,646	$13,664,415	($79,824)	($26,519)	$15,384,822	$13,637,896

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Changes in Net Assets – The following table shows the changes in net assets for the fiscal years 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services and Sales	$630,985	$676,394	$1,975,504	$1,645,463	$2,606,489	$2,321,857
Operating Grants and Contributions	1,782,342	1,664,841	606,301	433,073	2,388,643	2,097,914
Capital Grants and Contributions	33,649	123,550	0	0	33,649	123,550
Total Program Revenues	2,446,976	2,464,785	2,581,805	2,078,536	5,028,781	4,543,321
General Revenues:						
Property Taxes	29,514,149	33,443,071	0	0	29,514,149	33,443,071
Grants and Entitlements	21,105,212	16,888,629	0	0	21,105,212	16,888,629
Other	3,948,393	6,187,619	0	0	3,948,393	6,187,619
Total General Revenues	54,567,754	56,519,319	0	0	54,567,754	56,519,319
Total Revenues	57,014,730	58,984,104	2,581,805	2,078,536	59,596,535	61,062,640
Program Expenses						
Instruction	28,971,000	27,710,375	0	0	28,971,000	27,710,375
Support Services:						
Pupils	2,740,347	2,659,324	0	0	2,740,347	2,659,324
Instructional Staff	4,603,797	4,096,720	0	0	4,603,797	4,096,720
Board of Education	20,496	17,110	0	0	20,496	17,110
Administration	3,475,689	3,338,747	0	0	3,475,689	3,338,747
Fiscal Services	1,332,931	1,195,205	0	0	1,332,931	1,195,205
Business	948,546	722,097	0	0	948,546	722,097
Operation and Maintenance of Plant	3,664,095	4,776,579	0	0	3,664,095	4,776,579
Pupil Transportation	2,612,579	2,424,585	0	0	2,612,579	2,424,585
Central	467,384	339,987	0	0	467,384	339,987
Operation of Non-Instructional Services	104,259	140,004	0	0	104,259	140,004
Extracurricular Activities	1,234,729	1,272,758	0	0	1,234,729	1,272,758
Interest and Fiscal Charges	5,038,647	4,561,041	0	0	5,038,647	4,561,041
Food Service	0	0	2,169,363	1,771,620	2,169,363	1,771,620
Uniform School Supplies	0	0	100,418	85,675	100,418	85,675
Rotary-Special Services	0	0	17,256	12,125	17,256	12,125
Special Enterprise-Day Care	0	0	348,073	360,831	348,073	360,831
Total expenses	55,214,499	53,254,532	2,635,110	2,230,251	57,849,609	55,484,783
Total Change in Net Assets	1,800,231	5,729,572	(53,305)	(151,715)	1,746,926	5,577,857
Beginning Net Assets	13,664,415	7,934,843	(26,519)	125,196	13,637,896	8,060,039
Total Net Assets	$15,464,646	$13,664,415	($79,824)	($26,519)	$15,384,822	$13,637,896

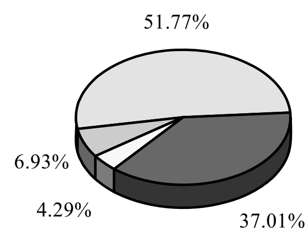
Governmental Activities

Net assets of the District's governmental activities increased by $1,800,231. The primary factors for the increase was the reduction of debt.

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 52% of revenues for governmental activities for Marysville Exempted Village Schools in fiscal year 2007. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2007	Percent of Total
General Tax Revenues	$29,514,149	51.77%
General Grants	21,105,212	37.01%
Program Revenues	2,446,976	4.29%
General Other	3,948,393	6.93%
Total Revenue	$57,014,730	100.00%



Business-Type Activities

Net assets of the business-type activities decreased by $53,305. This decrease is a result of operating expenses of the food service operations exceeding revenues. Business activities receive no support from tax revenues.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of $48,120,808 which is less than last year's balance of $66,723,414. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General	$283,167	$1,361,098	($1,077,931)
Bond Retirement	3,126,649	3,036,673	89,976
Permanent Improvement	3,001,429	3,526,650	(525,221)
Building Acquisition and Construction	41,330,736	58,389,732	(17,058,996)
Other Governmental	378,827	409,261	(30,434)
Total	$48,120,808	$66,723,414	($18,602,606)

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:

	2007 Revenues	2006 Revenues	Increase (Decrease)
Taxes	$22,640,211	$26,572,985	($3,932,774)
Tuition	185,280	183,521	1,759
Transportation Fees	26,579	11,069	15,510
Investment Earnings	605,194	468,170	137,024
Class Materials and Fees	151,879	150,263	1,616
Intermediate Sources	109,998	0	109,998
Intergovernmental - State	18,736,363	15,534,742	3,201,621
Intergovernmental - Federal	14,053	20,142	(6,089)
All Other Revenue	504,702	596,249	(91,547)
Total	$42,974,259	$43,537,141	($562,882)

General Fund revenues in 2007 decreased approximately 1.3% compared to revenues in fiscal year 2006. The decrease in taxes is the result of the phasing out of the tangible personal property tax. This reduction of property taxes is offset by state reimbursements for the next several years. The increase in investment earnings is due to rising interest rates on investments.

	2007 Expenditures	2006 Expenditures	Increase (Decrease)
Instruction	$25,498,485	$24,011,976	$1,486,509
Supporting Services:			
Pupils	2,560,544	2,499,952	60,592
Instructional Staff	3,285,875	3,365,847	(79,972)
Board of Education	19,168	15,713	3,455
Administration	3,225,469	3,094,574	130,895
Fiscal Services	1,117,530	1,040,228	77,302
Business	826,831	689,326	137,505
Operation & Maintenance of Plant	3,598,357	3,481,142	117,215
Pupil Transportation	2,363,504	2,221,923	141,581
Central	430,239	307,805	122,434
Operation of Non-Instructional Services	2,855	6,792	(3,937)
Extracurricular Activities	968,214	907,740	60,474
Debt Service			
Principal Retirement	55,000	55,000	0
Interest and Fiscal Charges	37,217	39,390	(2,173)
Total	$43,989,288	$41,737,408	$2,251,880

The expenditures increased by $2,251,880 or 5.4% compared to the prior year mostly due to increases in salaries and wages. As a result of an increased student population, additional personnel were added. In addition there was a change in the staff salary indexes.

The Bond Retirement Fund did not change significantly. The fund balance increased from $3,036,673 to $3,126,649.

The Permanent Improvement Fund decreased from $3,526,650 to $3,001,429 as a result of increased expenditures for building and grounds improvements.

The Building Acquisition and Construction Fund's fund balance decreased from $58,389,732 to $41,330,736. The decrease was the result of ongoing school improvement projects including, the construction of a new elementary building, the construction of a new intermediate/middle school combination, and additional classroom space for the high school.

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 2007 the District amended its General Fund budget several times, none significant.

For the General Fund, the final budget revenue was $45.0 million, $3 million above original budget estimates of $42.0 million due to additional property taxes expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007 the District had $80,091,547, net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, $79,722,763 was related to governmental activities and $368,784 to the business-type activities. The following table shows fiscal year 2006 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	$6,328,996	$6,328,996	$0
Land Improvements	3,513,625	3,513,625	0
Buildings and Improvements	58,195,256	58,196,463	(1,207)
Furniture, Fixtures and Equipment	13,528,660	13,277,292	251,368
Vehicles	2,808,593	2,587,793	220,800
Construction in Progress	22,352,441	1,846,678	20,505,763
Less: Accumulated Depreciation	(27,004,808)	(25,065,976)	(1,938,832)
Totals	$79,722,763	$60,684,871	$19,037,892

	Business-Type Activities 2007	2006	Increase (Decrease)
Furniture and Equipment	$989,496	$1,038,350	($48,854)
Less: Accumulated Depreciation	(620,712)	(654,680)	33,968
Totals	$368,784	$383,670	($14,886)

The primary increase occurred in construction in progress the construction of a new elementary building, the construction of a new intermediate/middle school combination, and additional classroom space for the high school.

Additional information on the District's capital assets can be found in Note 9.

Debt

At June 30, 2007, the District had $113.7 million in bonds, notes, capital leases and compensated absences outstanding, $3,951,987 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2007:

	2007	2006
Governmental Activities:		
General Obligation Bonds:		
School Improvement	$108,343,148	$109,913,472
Installment Notes Payable	675,000	730,000
Capital Leases Payable	1,752,000	1,826,000
Compensated Absences	2,850,355	2,654,132
Total Governmental Activities	113,620,503	115,123,604
Business-Type Activities:		
Compensated Absences	56,277	52,631
Totals	$113,676,780	$115,176,235

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property with certain exceptions. One such exception is to receive a special needs district certification from the Superintendent of Public Instruction. The District was certified as a special needs district on June 29, 2005 and as a result may incur net indebtedness by issuance of securities in an amount that does not exceed 9% of the projected increase of its tax valuation during the next ten years. As of June 30, 2007, the District did not exceed the special needs district debt limitation. Additional information on the District's long-term debt can be found in Note 12.

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 5,100 students. Our graduating class in 2002 was the last class under 300, the 2008 graduating class is estimated around 370 students.

Union County is one of the fastest growing counties in Ohio and Marysville is one of the fastest growing cities in Ohio. We have had eight new housing developments in the past six years. Marysville industrial and commercial tax base is increasing with three new restaurants and an office supply store opening in 2007 and we have one of the lowest unemployment rates in Ohio.

The assessed valuation for Marysville schools went from $765,661,230 in 2006 to $724,062,470 in 2007. The decrease was in the assessed value of tangible personal property which is being phased out over the next five years.

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

In 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.

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Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	$ 21,908,430	$ 109,020	$ 22,017,450
Investments	33,841,557	0	33,841,557
Receivables:			
Taxes	25,498,141	0	25,498,141
Accounts	11,843	2,388	14,231
Intergovernmental	180,691	59,985	240,676
Interest	363,134	0	363,134
Internal Balance	352,232	(352,232)	0
Inventory of Supplies at Cost	0	11,477	11,477
Prepaid Items	61,125	891	62,016
Deferred Charges	885,270	0	885,270
Capital Assets, Net	79,722,763	368,784	80,091,547
Total Assets	162,825,186	200,313	163,025,499
Liabilities:			
Accounts Payable	3,713,070	18,081	3,731,151
Accrued Wages and Benefits	4,634,724	110,255	4,744,979
Intergovernmental Payable	1,358,701	95,524	1,454,225
Retainage Payable	326,505	0	326,505
Deferred Revenue - Taxes	22,456,252	0	22,456,252
Early Retirement Incentive Payable	75,000	0	75,000
Accrued Interest Payable	380,785	0	380,785
General Obligation Notes Payable	795,000	0	795,000
Long Term Liabilities:			
Due Within One Year	3,951,987	0	3,951,987
Due in More Than One Year	109,668,516	56,277	109,724,793
Total Liabilities	147,360,540	280,137	147,640,677
Net Assets:			
Invested in Capital Assets, Net of Related Debt	14,693,750	368,784	15,062,534
Restricted For:			
Capital Projects	3,091,977	0	3,091,977
Debt Service	2,791,686	0	2,791,686
Other Purposes	15,667	0	15,667
Unrestricted (Deficit)	(5,128,434)	(448,608)	(5,577,042)
Total Net Assets	$ 15,464,646	$ (79,824)	$ 15,384,822

See accompanying notes to the basic financial statements

Statement of Activities
For the Fiscal Year Ended June 30, 2007

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 28,971,000	$ 378,943	$ 1,182,933	$ 0
Support Services:				
Pupils	2,740,347	0	0	0
Instructional Staff	4,603,797	0	208,455	0
Board of Education	20,496	0	0	0
Administration	3,475,689	0	202,377	0
Fiscal Services	1,332,931	0	59,748	0
Business	948,546	0	0	0
Operation and Maintenance of Plant	3,664,095	0	0	0
Pupil Transportation	2,612,579	26,579	0	33,649
Central	467,384	0	17,386	0
Operation of Non-Instructional Services	104,259	0	96,972	0
Extracurricular Activities	1,234,729	225,463	14,471	0
Interest and Fiscal Charges	5,038,647	0	0	0
Total Governmental Activities	55,214,499	630,985	1,782,342	33,649
Business-Type Activities:				
Food Service	2,169,363	1,494,547	606,301	0
Uniform School Supplies	100,418	111,873	0	0
Rotary - Special Services	17,256	0	0	0
Special Enterprise-Day Care	348,073	369,084	0	0
Total Business-Type Activities	2,635,110	1,975,504	606,301	0
Totals	$ 57,849,609	$ 2,606,489	$ 2,388,643	$ 33,649

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (27,409,124)	$ 0	$ (27,409,124)
(2,740,347)	0	(2,740,347)
(4,395,342)	0	(4,395,342)
(20,496)	0	(20,496)
(3,273,312)	0	(3,273,312)
(1,273,183)	0	(1,273,183)
(948,546)	0	(948,546)
(3,664,095)	0	(3,664,095)
(2,552,351)	0	(2,552,351)
(449,998)	0	(449,998)
(7,287)	0	(7,287)
(994,795)	0	(994,795)
(5,038,647)	0	(5,038,647)
(52,767,523)	0	(52,767,523)
0	(68,515)	(68,515)
0	11,455	11,455
0	(17,256)	(17,256)
0	21,011	21,011
0	(53,305)	(53,305)
(52,767,523)	(53,305)	(52,820,828)
22,690,936	0	22,690,936
4,062,260	0	4,062,260
2,760,953	0	2,760,953
21,105,212	0	21,105,212
3,352,736	0	3,352,736
595,657	0	595,657
54,567,754	0	54,567,754
1,800,231	(53,305)	1,746,926
13,664,415	(26,519)	13,637,896
$ 15,464,646	$ (79,824)	$ 15,384,822

Balance Sheet
Governmental Funds
June 30, 2007

	General	Bond Retirement	Permanent Improvement
Assets:			
Cash and Cash Equivalents	$ 3,022,443	$ 2,752,688	$ 3,159,415
Investments	997,392	0	0
Receivables:			
Taxes	19,782,322	3,276,947	2,438,872
Accounts	8,341	0	0
Intergovernmental	0	0	0
Interest	10,477	0	0
Interfund Loan Receivable	100,000	0	0
Prepaid Items	52,348	0	8,777
Advance to Other Funds	252,232	0	0
Total Assets	$ 24,225,555	$ 6,029,635	$ 5,607,064
Liabilities:			
Accounts Payable	$ 111,417	$ 0	$ 427,021
Accrued Wages and Benefits	4,454,814	0	0
Intergovernmental Payable	1,326,557	0	0
Retainage Payable	0	0	0
Deferred Revenue - Taxes	17,734,136	2,902,986	2,178,614
Deferred Revenue	10,477	0	0
Early Retirement Incentive Payable	75,000	0	0
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Compensated Absences Payable	229,987	0	0
Total Liabilities	23,942,388	2,902,986	2,605,635
Fund Balances:			
Reserved for Encumbrances	369,793	0	388,648
Reserved for Prepaid Items	52,348	0	8,777
Reserved for Debt Service	0	2,752,688	0
Reserved for Property Taxes	2,048,186	373,961	260,258
Reserved for Advances	252,232	0	0
Unreserved, Undesignated in:			
General Fund (Deficit)	(2,439,392)	0	0
Special Revenue Funds	0	0	0
Capital Projects Funds	0	0	2,343,746
Total Fund Balances	283,167	3,126,649	3,001,429
Total Liabilities and Fund Balances	$ 24,225,555	$ 6,029,635	$ 5,607,064

See accompanying notes to the basic financial statements

Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
$ 12,467,142	$ 488,654	$ 21,890,342
32,844,165	0	33,841,557
0	0	25,498,141
1,392	2,110	11,843
0	180,691	180,691
352,657	0	363,134
0	0	100,000
0	0	61,125
0	0	252,232
$ 45,665,356	$ 671,455	$ 82,199,065
$ 3,153,102	$ 21,530	$ 3,713,070
0	179,910	4,634,724
0	32,144	1,358,701
326,505	0	326,505
0	0	22,815,736
56,572	59,044	126,093
0	0	75,000
3,441	0	3,441
795,000	0	795,000
0	0	229,987
4,334,620	292,628	34,078,257
34,714,213	55,805	35,528,459
0	0	61,125
0	0	2,752,688
0	0	2,682,405
0	0	252,232
0	0	(2,439,392)
0	323,022	323,022
6,616,523	0	8,960,269
41,330,736	378,827	48,120,808
$ 45,665,356	$ 671,455	$ 82,199,065

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2007

Total Governmental Fund Balances		$ 48,120,808
Amounts reported for governmental activities in the statement of net assets are different because		
Capital Assets used in governmental activities are not current resources and therefore are not reported in the funds.		79,722,763
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		485,577
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.		18,088
Long-term liabilities, including bond issuance costs, are not due and payable in the current period and therefore are not reported in the funds.		
Long-Term Notes Payable	(675,000)	
General Obligation Bonds Payable	(103,970,402)	
Deferred Amount on Refunding	2,481,124	
Issuance Premium	(3,473,298)	
Interest Accretion	(3,380,572)	
Deferred Charge for Issuance Costs	885,270	
Capital Leases Payable	(1,752,000)	
Compensated Absences Payable	(2,620,368)	
Accrued Interest Payable	(377,344)	
		(112,882,590)
Net Assets of Governmental Activities		$ 15,464,646

See accompanying notes to the basic financial statements

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Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Permanent Improvement
Revenues:			
Local Sources:			
Taxes	$ 22,640,211	$ 3,629,160	$ 2,767,541
Tuition	185,280	0	0
Transportation Fees	26,579	0	0
Investment Earnings	605,194	0	0
Extracurricular Activities	0	0	0
Class Materials and Fees	151,879	0	0
Intermediate Sources	109,998	440,000	0
Intergovernmental - State	18,736,363	1,791,657	531,112
Intergovernmental - Federal	14,053	0	0
All Other Revenue	504,702	0	0
Total Revenue	42,974,259	5,860,817	3,298,653
Expenditures:			
Current:			
Instruction	25,498,485	0	892,245
Supporting Services:			
Pupils	2,560,544	0	0
Instructional Staff	3,285,875	0	915,818
Board of Education	19,168	0	0
Administration	3,225,469	0	5,553
Fiscal Services	1,117,530	80,333	69,581
Business	826,831	0	11,669
Operation and Maintenance of Plant	3,598,357	0	806,653
Pupil Transportation	2,363,504	0	282,358
Central	430,239	0	0
Operation of Non-Instructional Services	2,855	0	0
Extracurricular Activities	968,214	0	0
Capital Outlay	0	0	204,067
Debt Service:			
Principal Retirement	55,000	1,815,000	0
Interest and Fiscal Charges	37,217	3,875,508	635,930
Total Expenditures	43,989,288	5,770,841	3,823,874

Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
$ 0	$ 0	$ 29,036,912
0	0	185,280
0	0	26,579
2,700,091	0	3,305,285
0	325,171	325,171
0	0	151,879
0	0	549,998
0	239,931	21,299,063
0	1,617,279	1,631,332
1,392	33,023	539,117
2,701,483	2,215,404	57,050,616
0	1,175,814	27,566,544
0	89,545	2,650,089
0	359,655	4,561,348
0	0	19,168
0	201,253	3,432,275
0	59,851	1,327,295
93,016	0	931,516
30,411	0	4,435,421
0	2,322	2,648,184
0	33,015	463,254
0	103,560	106,415
0	220,823	1,189,037
19,677,259	0	19,881,326
0	0	1,870,000
35,782	0	4,584,437
19,836,468	2,245,838	75,666,309

(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Permanent Improvement
Excess (Deficiency) of Revenues			
Over Expenditures	(1,015,029)	89,976	(525,221)
Other Financing Sources (Uses):			
Sale of Capital Assets	13,087	0	0
Transfers In	0	0	0
Transfers Out	(75,989)	0	0
Total Other Financing Sources (Uses)	(62,902)	0	0
Net Change in Fund Balance	(1,077,931)	89,976	(525,221)
Fund Balances at Beginning of Year	1,361,098	3,036,673	3,526,650
Fund Balances End of Year	$ 283,167	$ 3,126,649	$ 3,001,429

See accompanying notes to the basic financial statements

Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
(17,134,985)	(30,434)	(18,615,693)
0	0	13,087
75,989	0	75,989
0	0	(75,989)
75,989	0	13,087
(17,058,996)	(30,434)	(18,602,606)
58,389,732	409,261	66,723,414
$ 41,330,736	$ 378,827	$ 48,120,808

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	$ (18,602,606)
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 capital outlays exceeded depreciation in the current period.	19,088,787
The effect of disposals of capital assets is to decrease net assets.	(50,895)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(48,973)
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.	1,944,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(171,044)
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	(67,798)
Interest Accretion	(287,814)
Amortization of Deferred Loss on Refunding	(107,875)
Amortization of Deferred Charge for Bond Issuance Costs	(38,490)
Amortization of Premium on Bond Issuance	151,013
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.	(8,074)
Change in Net Assets of Governmental Activities	$ 1,800,231

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For The Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	$ 21,728,486	$ 23,700,322	$ 23,989,914	$ 289,592
Tuition	155,500	187,710	184,957	(2,753)
Transportation Fees	12,000	12,000	26,579	14,579
Investment Earnings	500,000	550,000	605,194	55,194
Class Material and Fees	150,000	150,000	148,929	(1,071)
Intermediate Sources	0	0	109,998	109,998
Intergovernmental - State	18,188,536	19,016,552	18,736,363	(280,189)
Intergovernmental - Federal	10,000	10,000	14,053	4,053
All Other Revenues	317,400	458,867	428,284	(30,583)
Total Revenues	41,061,922	44,085,451	44,244,271	158,820
Expenditures:				
Current:				
Instruction	25,287,498	25,652,085	25,409,233	242,852
Support Services:				
Pupils	2,590,237	2,625,548	2,595,265	30,283
Instructional Staff	3,308,434	3,318,748	3,322,161	(3,413)
Board of Education	24,566	26,665	19,475	7,190
Administration	3,355,778	3,290,576	3,266,274	24,302
Fiscal Services	1,206,411	1,129,513	1,123,408	6,105
Business	819,327	915,745	842,985	72,760
Operation and Maintenance of Plant	3,947,035	3,800,536	3,712,356	88,180
Pupil Transportation	2,299,013	2,342,207	2,353,567	(11,360)
Central	353,921	437,618	431,959	5,659
Non-Instructional Operations	2,000	3,200	2,855	345
Extracurricular Activities	949,190	988,787	978,989	9,798
Debt Service:				
Principal Retirement	890,000	890,000	890,000	0
Interest and Fiscal Charges	73,206	73,206	73,206	0
Total Expenditures	45,106,616	45,494,434	45,021,733	472,701
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,044,694)	(1,408,983)	(777,462)	631,521
Other Financing Sources (Uses):				
Sale of Capital Assets	12,000	10,973	13,087	2,114
General Obligatin Notes Issued	795,000	795,000	795,000	0
Advances In	31,678	31,678	31,678	0
Advances Out	0	0	(100,000)	(100,000)
Refund of Prior Year's Expenditures	25,000	80,440	80,536	96
Refund of Prior Year's Receipts	0	(643)	(634)	9
Total Other Financing Sources (Uses):	863,678	917,448	819,667	(97,781)
Net Change in Fund Balance	(3,181,016)	(491,535)	42,205	533,740
Fund Balance at Beginning of Year	3,193,634	3,193,634	3,193,634	0
Prior Year Encumbrances	306,943	306,943	306,943	0
Fund Balance at End of Year	$ 319,561	$ 3,009,042	$ 3,542,782	$ 533,740

See accompanying notes to the basic financial statements

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-Type Activities-Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 109,020	$ 18,088
Receivables:		
Accounts	2,388	0
Intergovernmental	59,985	0
Inventory of Supplies at Cost	11,477	0
Prepaid Items	891	0
Total Current Assets	183,761	18,088
Non Current Assets:		
Capital Assets, Net	368,784	0
Total Assets	552,545	18,088
Liabilities:		
Current Liabilities:		
Accounts Payable	18,081	0
Accrued Wages and Benefits	110,255	0
Intergovernmental Payable	95,524	0
Interfund Loans Payable	100,000	0
Total Current Liabilities	323,860	0
Long Term Liabilities:		
Advances from Other Funds	252,232	0
Compensated Absences Payable	56,277	0
Total Long Term Liabilities	308,509	0
Total Liabilities	632,369	0
Net Assets:		
Invested in Capital Assets, Net of Related Debt	368,784	0
Unrestricted	(448,608)	18,088
Total Net Assets	$ (79,824)	$ 18,088

See accompanying notes to the basic financial statements

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Business-Type Activities-Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Operating Revenues:		
Sales	$ 1,472,056	$ 0
Tuition and Fees	480,899	0
Interfund Charges	0	177,614
All Other Revenue	31,551	0
Total Operating Revenues	1,984,506	177,614
Operating Expenses:		
Salaries and Wages	944,477	0
Fringe Benefits	432,815	0
Contractual Services	46,982	0
Supplies and Materials	1,130,907	0
Depreciation	39,847	0
Claims	0	168,624
Other Operating Expense	2,115	17,064
Total Operating Expenses	2,597,143	185,688
Operating Loss	(612,637)	(8,074)
Nonoperating Revenue (Expenses):		
Operating Grants	597,299	0
Loss on Disposal of Capital Assets	(37,967)	0
Total Nonoperating Revenues (Expenses)	559,332	0
Change in Net Assets	(53,305)	(8,074)
Net Assets Beginning of Year	(26,519)	26,162
Net Assets End of Year	$ (79,824)	$ 18,088

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Business -Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	$1,503,505	$0
Cash Received from Tuition and Fee Payments	479,959	0
Cash Received from Interfund Charges	0	177,614
Cash Payments for Goods and Services	(1,039,975)	(17,064)
Cash Payments to Employees for Services and Benefits	(1,382,330)	(168,624)
Net Cash Used for Operating Activities	(438,841)	(8,074)
Cash Flows from Noncapital Financing Activities:		
Advances In from General Fund	100,000	0
Repayment of Interfund Loan	(25,000)	0
Operating Grants Received	378,208	0
Net Cash Provided by Noncapital Financing Activities	453,208	0
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Assets	(62,928)	0
Net Cash Used by Capital and Related Financing Activities	(62,928)	0
Net Decrease in Cash and Cash Equivalents	(48,561)	(8,074)
Cash and Cash Equivalents at Beginning of Year	157,581	26,162
Cash and Cash Equivalents at End of Year	$109,020	$18,088
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	($612,637)	($8,074)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation Expense	39,847	0
Donated Commodities Used During the Year	159,106	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(1,150)	0
Increase in Inventory	(3,094)	0
Decrease in Prepaid Items	400	0
Decrease in Accounts Payable	(16,275)	0
Decrease in Accrued Wages and Benefits	(2,408)	0
Decrease in Intergovernmental Payables	(6,276)	0
Increase in Compensated Absences	3,646	0
Total Adjustments	173,796	0
Net Cash Used for Operating Activities	($438,841)	($8,074)

Schedule of Noncash Investing, Capital and Financing Activities:
During fiscal year 2007, $159,106 in donated commodities was received from the federal government.

See accompanying notes to the basic financial statements

Statement of Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust Special Trust Fund	Agency Funds
Assets:		
Cash and Cash Equivalents	$ 6,612	$ 59,369
Investments	20,048	0
Receivables:		
Interest	427	0
Total Assets	27,087	59,369
Liabilities:		
Accounts Payable	120	0
Due to Others	0	1,038
Due to Students	0	58,331
Total Liabilities	120	59,369
Net Assets:		
Unrestricted	26,967	0
Total Net Assets	$ 26,967	$ 0

See accompanying notes to the basic financial statements

Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
	Special Trust Fund
Additions:	
Contributions:	
Sales	$ 2,061
Private Donations	3,525
Total Contributions	5,586
Investment Earnings:	
Interest	1,010
Total Investment Earnings	1,010
Total Additions	6,596
Deductions:	
Administrative Expenses	5,287
Community Gifts, Awards and Scholarships	1,375
Total Deductions	6,662
Change in Net Assets	(66)
Net Assets at Beginning of Year	27,033
Net Assets End of Year	$ 26,967

See accompanying notes to the basic financial statements

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 238 noncertified and approximately 388 certified teaching personnel and administrative employees providing education to 5,286 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, there were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District, sponsor for the Marysville Academy, a former discretely presented component unit of the District, approved the closure and merger of the Academy with the District on September 25, 2006. The financial records for the Marysville Academy were closed on November 30, 2006 and merged with the District. The reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the District:

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

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

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

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

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 Statement of Net Assets. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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 Insurance Fund accounts for the interfund charges and claim payments applicable to the employee flexible medical savings account.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

C. Basis of Presentation and Measurement Focus – Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Basis of Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Current property taxes measurable at June 30, 2007, and which are not intended to finance fiscal 2007 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, 2007 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

1. Tax Budget

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

2. Estimated Resources

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

3. Appropriations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

Net Change in Fund Balance

	General Fund
GAAP Basis (as reported)	($1,077,931)
Increase (Decrease):	
Accrued Revenues at June 30, 2007, received during FY 2008	(2,156,527)
Accrued Revenues at June 30, 2006, received during FY 2007	3,438,119
Accrued Expenditures at June 30, 2007, paid during FY 2008	6,197,775
Accrued Expenditures at June 30, 2006, paid during FY 2007	(5,888,337)
FY 2006 Prepaids for FY 2007	58,507
FY 2007 Prepaids for FY 2008	(52,348)
Encumbrances Outstanding	(477,053)
Budget Basis	$42,205

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

The District pools its cash for resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

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

The District has invested funds in STAR Ohio during 2007. 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, 2007. See Note 4, "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, 2007, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

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

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

3. Depreciation

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

Obligation	Fund
General Obligation Bonds	General Obligation Bond Retirement Fund
Energy Conservation Project	General Fund
Compensated Absences	General Fund, Food Services Fund and Day Care Fund, Special Revenue Funds
Capital Leases Payable	Permanent Improvement Fund

L. Compensated Absences

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have net assets restricted by enabling legislation at June 30, 2007.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

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

O. Interfund Activity

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

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

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, debt service, advances 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 day care and uniform school supplies. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – 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	$21,565,445
Depreciation Expense	(2,476,658)
	$19,088,787

Governmental revenues not reported in the funds:

Increase in Delinquent Tax Revenue	($72,761)
Increase in Investment Earnings	47,451
Decrease in Grants Receivable	(23,663)
	($48,973)

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

Bond Principal Payment	$1,815,000
Energy Conservation Project	55,000
Capital Lease Payment	74,000
	$1,944,000

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits **-** The fund deficit at June 30, 2007 of $863 in the Reducing Class Size Grant Fund, (special revenue fund), arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficits of $129,758 in the Food Services Fund and $19,951 in Special Enterprise-Day Care Fund (enterprise funds) arose from the recognition of expenses on the accrual basis which are greater than expenses on the cash basis.

Appropriations **-** Expenditures exceeded appropriations during the year within the Bond Retirement Fund resulting in noncompliance with Ohio Revised Code § 5705.41(B).

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

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

At year end the carrying amount of the District's deposits was $428,099 and the bank balance was $1,792,283. Federal depository insurance covered $120,048 of the bank balance and $1,672,235 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	$1,672,235
Total Balance	$1,672,235

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NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2007 were as follows:

			Investment Maturities (in Years)	
	Fair Value	Credit Rating	less than 1	1-3
STAR Ohio	$261,139	AAAm [1]	$261,139	$0
Money Market Funds	20,642,351	AAA [1]	20,642,351	0
FNMA*	6,766,132	AAA [1], Aaa [2]	6,066,895	699,237
FHLB*	12,044,038	AAA [1], Aaa [2]	12,044,038	0
FHLMC*	298,155	AAA [1], Aaa [2]	0	298,155
FNMA Notes	2,796,702	AAA [1], Aaa [2]	2,796,702	0
FHLMC Notes	12,708,420	AAA [1], Aaa [2]	12,708,420	0
Total Investments	$55,516,937		$54,519,545	$997,392

[1] Standard & Poor's
[2] Moody's Investor Service
* The securities have various call dates. The District believes no securities will be called.

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

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 12.2% are FNMA, 21.7% are FHLB, .5% are FHLMC, 5.0% are FNMA Notes, and 22.9% are FHLMC Notes.

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

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

NOTE 5 - 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 2007 were levied in April 2006 on assessed values as of January 1, 2006, 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 2004. 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 18.75 percent of its true value. This percentage will be reduced to 12.5% in 2007, 6.25% in 2008 and zero for 2009. 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. House Bill 66, passed in 2005, phases out the tax on tangible personal property of general business, telephone and railroads. The tax on general business and railroad property will be eliminated by 2009 and the tax on telephone by 2011. The tax is phased out by reducing the assessment rate on the property each year. The loss and replacement of the tangible personal property revenues has been calculated by the Ohio Department of Taxation using 2004 as the base year. The base year amount is the amount of property tax revenue lost when the tax has been fully phased out. School districts are being “held harmless” and reimbursed for lost revenue in the first five years; in the following seven years, the reimbursements are phased out.

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 2007, upon which the 2006 levies were based, were as follows:

	Assessed Values for Collection in:	
	2006 Second Half	2007 First Half
Agricultural/Residential and Other Real Estate	$573,591,130	$599,027,010
Public Utility Personal	35,907,950	36,697,280
Tangible Personal Property	156,162,150	88,338,180
Total Assessed Value	$765,661,230	$724,062,470
Tax rate per $1,000 of assessed valuation	$54.06	$54.06

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts, intergovernmental, and interest receivables.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2007:

	Interfund Loans Receivables	Interfund Loans Payables
General Fund	$100,000	$0
Nonmajor Enterprise Fund	0	100,000
Totals	$100,000	$100,000

	Advance to Other Fund	Advance from Other Fund
General Fund	$252,232	$0
Nonmajor Enterprise Fund	0	252,232
Totals	$252,232	$252,232

NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for fiscal year 2007:

Fund	Transfers In	Transfers Out
General Fund	$0	$75,989
Building Acquisition and Construction Fund	75,989	0
Total All Funds	$75,989	$75,989

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2007:

Historical Cost:

Class	June 30, 2006	Additions	Deletions	June 30, 2007
Capital Assets not being depreciated:				
Land	$6,328,996	$0	$0	$6,328,996
Construction in Progress	1,846,678	20,505,763	0	22,352,441
Subtotal	8,175,674	20,505,763	0	28,681,437
Capital Assets being depreciated:				
Land Improvements	3,513,625	0	0	3,513,625
Buildings and Improvements	58,196,463	0	(1,207)	58,195,256
Furniture, Fixtures and Equipment	13,277,292	838,882	(587,514)	13,528,660
Vehicles	2,587,793	220,800	0	2,808,593
Subtotal	77,575,173	1,059,682	(588,721)	78,046,134
Total Cost	$85,750,847	$21,565,445	($588,721)	$106,727,571

Accumulated Depreciation:

Class	June 30, 2006	Additions	Deletions	June 30, 2007
Land Improvements	($1,986,163)	($148,767)	$0	($2,134,930)
Buildings and Improvements	(12,674,311)	(1,153,534)	0	(13,827,845)
Furniture, Fixtures and Equipment	(9,470,426)	(907,305)	537,826	(9,839,905)
Vehicles	(935,076)	(267,052)	0	(1,202,128)
Total Depreciation	($25,065,976)	($2,476,658) *	$537,826	($27,004,808)
Net Value:	$60,684,871			$79,722,763

* Depreciation expenses were charged to governmental functions as follows:

Instruction	$1,536,400
Support Services:	
Pupils	42,379
Instructional Staff	418,200
Board of Education	1,328
Administration	47,252
Fiscal Services	8,042
Business	12,055
Operations & Maintenance of Plant	56,820
Pupil Transportation	267,811
Operation of Non-Instructional Services	4,772
Extracurricular Activities	81,599
Total Depreciation Expense	$2,476,658

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2007:

Historical Cost:

Class	June 30, 2006	Additions	Deletions	June 30, 2007
Furniture and Equipment	$1,038,350	$62,928	($111,782)	$989,496
Total Cost	$1,038,350	$62,928	($111,782)	$989,496

Accumulated Depreciation:

Class	June 30, 2006	Additions	Deletions	June 30, 2007
Furniture and Equipment	($654,680)	($39,847)	$73,815	($620,712)
Total Depreciation	($654,680)	($39,847)	$73,815	($620,712)
Net Value:	$383,670	$23,081	($37,967)	$368,784

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NOTE 10 - DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS

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 death 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 publicly available, 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 (800) 878-5853. It is also posted on the SERS website, www.ohsers.org, under Forms and Publications.

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, 2007, 10.68% was allocated to fund the pension benefit and 3.32% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2007, 2006, and 2005 were $1,048,884, $971,580, and $884,220, 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. The portion of the 2007 employer contribution rate (latest information available) that was used to fund health care for the year 2007 was 3.32%. 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 2007, the minimum pay has been established as $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount contributed to fund health care benefits, including the surcharge amounted to $359,420.

NOTE 10- DEFINED BENEFIT PENSION PLANS (Continued)

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

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ended June 30, 2006 (latest information available) were $158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221% of next year's projected net health care costs. The number of participants eligible to receive benefits is 59,492.

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) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS 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 among various investment choices. 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.

NOTE 10- 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, 2007, 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, 2007, 2006, and 2005 were $3,137,520, $2,989,704, and $2,666,400, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees who participated in the DB or Combined Plans 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. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, health care benefits are not guaranteed.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2007, the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Stabilization Fund, which amounted to $224,109 for the District. The balance of the Health Care Stabilization Fund was $4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, the net health care costs paid by STRS were $265,558,000. There were 112,934 eligible benefit recipients.

NOTE 11 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2007, was as follows:

Note Payable		Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Energy Conservation Note	4.31%	$835,000	$0	($835,000)	$0
Energy Conservation Note	4.27%	0	795,000	0	795,000
		$835,000	$795,000	($835,000)	$795,000

NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds, energy conservation project, compensated absences, and capital leases of the District for the year ended June 30, 2007 is as follows:

		Balance June 30, 2006	Issued	(Retired)	Balance June 30, 2007	Due Within One Year
Governmental Activities						
(General Obligation Bonds)						
New High School	7.13%	$122,454	$0	($69,165)	$53,289	$53,289
Refunding New Elementary	3.4-5.15%	7,277,973	0	(225,000)	7,052,973	295,000
Fifth/Sixth Elementary	5.79%	1,589,222	0	(75,000)	1,514,222	60,000
New Elementary and Middle School	4.35-5.375%	1,139,995	0	(105,000)	1,034,995	150,000
Refunding Fifth/Sixth Elementary	3.60%	12,559,974	0	(200,000)	12,359,974	205,000
Refunding New High School	1.2-14.16%	1,379,999	0	(45,000)	1,334,999	50,000
Refunding School Improvement	3.25-5%	40,284,966	0	0	40,284,966	1,245,000
School Improvement/Refunding	3.5-5%	40,749,984	0	(415,000)	40,334,984	890,000
		105,104,567	0	(1,134,165)	103,970,402	2,948,289
Premium on Bonds		3,624,311	0	(151,013)	3,473,298	0
Deferred Amount on Refunding		(2,588,999)	0	107,875	(2,481,124)	0
Interest Accretion		3,773,593	287,814	(680,835)	3,380,572	636,711
Total General Obligation Bonds		109,913,472	287,814	(1,858,138)	108,343,148	3,585,000
Energy Conservation Project	3.4-4.85%	730,000	0	(55,000)	675,000	60,000
Compensated Absences		2,654,132	789,620	(593,397)	2,850,355	229,987
Capital Leases Payable		1,826,000	0	(74,000)	1,752,000	77,000
Total Governmental Activities		$115,123,604	$1,077,434	($2,580,535)	$113,620,503	$3,951,987
Business-Type Activities						
Compensated Absences		$52,631	$18,486	($14,840)	$56,277	$0
Total Business-Type Activities		$52,631	$18,486	($14,840)	$56,277	$0

NOTE 12 - 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, 2007, follows:

	General Obligation Bonds		Energy Conservation Project		Total	
Years	Principal	Interest	Principal	Interest	Principal	Interest
2008	$2,948,289	$5,078,002	$60,000	$34,272	$3,008,289	$5,112,274
2009	3,995,000	4,320,083	65,000	30,429	4,060,000	4,350,512
2010	4,230,000	4,171,710	65,000	26,431	4,295,000	4,198,141
2011	4,314,998	4,188,895	70,000	22,280	4,384,998	4,211,175
2012	3,966,509	4,154,245	75,000	18,309	4,041,509	4,172,554
2013-2017	12,929,753	27,950,981	340,000	33,708	13,269,753	27,984,689
2018-2022	19,139,485	21,443,124	0	0	19,139,485	21,443,124
2023-2027	30,236,368	10,349,367	0	0	30,236,368	10,349,367
2028-2030	22,210,000	1,565,282	0	0	22,210,000	1,565,282
Totals	$103,970,402	$83,221,689	$675,000	$165,429	$104,645,402	$83,387,118

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 $2,475,000 at June 30, 2007, 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 $6,939,538 at June 30, 2007, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

NOTE 12 - 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, 2007, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In September 2005, the District defeased $41,425,000 of Certificates of Participation for School Improvements, dated March 2, 2005, through the issuance of $40,284,966 of General Obligation Bonds for School Improvements. The net proceeds of the 2005 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded certificates. The refunded certificates, which have an outstanding balance of $41,425,000 at June 30, 2007, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In February 2006, the District defeased $12,350,000 of General Obligation Bonds for New Elementary and Raymond Middle School Improvements, dated December 1, 2000, through the issuance of $12,349,984 of General Obligation Bonds for School Improvements. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of $12,350,000 at June 30, 2007, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

NOTE 13 - CAPITALIZED LEASES

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

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

Year Ending June 30,	Capital Leases
2008	$155,191
2009	154,918
2010	155,413
2011	154,692
2012	155,735
2013-2017	774,047
2018-2022	773,451
2023	154,564
Minimum Lease Payments	2,478,011
Less: Amount representing interest at the District's incremental borrowing rate of interest	(726,011)
Present Value of minimum lease payments	$1,752,000

NOTE 14 - 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.

The District participates in the Metropolitan Educational Council Group Program (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan’s business and affairs are conducted by a seven member board consisting of superintendents, treasurers and business managers.

Specialty Claims Services, Inc. is responsible for processing claims. Marsh, Inc. serves as the Plan’s administrator, sales representative, and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from the Metropolitan Educational Council Group Program, 2100 Citygate Drive, Columbus, OH 43219-3566.

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.

NOTE 15 – 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, 2007, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2006	$0	$0	$0
Current Year Set-Aside Requirement	756,435	756,435	1,512,870
Qualifying Disbursements	(954,492)	(2,644,094)	(3,598,586)
Total	($198,057)	($1,887,659)	($2,085,716)
Cash Balance Carried Forward to FY 2008	$0	$0	$0

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. The District has elected not to use extra textbook amounts to reduce set-aside requirements for future years.

NOTE 16 – CONSTRUCTION COMMITMENTS

As of June 30, 2007, the District had the following commitment with respect to capital projects:

Capital Projects	Amount Remaining	Estimated Date of Completion
Northwood Elementary Architect Fees	$15,676	August 2007
Northwood Elementary Site Work	86,839	August 2007
Northwood Elementary and High School Construction Manage Fees	476,184	August 2007/2008
Northwood Elementary	319,807	August 2007
New Intermediate/Middle School Architect Fees	278,847	August 2008
New Intermediate/Middle School Site Work	543,662	August 2008
New Intermediate/Middle School Construction Manage Fees	792,446	August 2008
New Intermediate/Middle School	10,734,724	August 2008
High School Addition Architect Fees	460,341	August 2008
High School Addition Site Work	438,318	August 2008
High School Addition	10,454,019	August 2008
Middle School Renovation Architect Fees	107,177	To be determined

NOTE 17 - 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, 2007.

B. Public Utility Tax

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately $4,062 per year. A portion of the refund may be recovered from additional State entitlement payments.

Marysville Exempted Village School District

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2007

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Award Receipts	Award Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Food Distribution Program	N/A	10.550	159,106	159,106
Nutritional Cluster:				
National School Breakfast Program	06-PU	10.553	41,455	41,455
National School Lunch Program	06-PU	10.555	323,949	323,949
Total U.S. Department of Agriculture			524,510	524,510
U.S. DEPARTMENT OF EDUCATION				
Direct Program				
Fund for the Improvement of Education_Carol M. White Physical Fitness	N/A	84.215	132,134	132,687
Passed Through Ohio Department of Education				
Title I Grant	C1-S1	84.010	268,237	256,142
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	1,078,065	1,001,913
Preschool Disabilities Grant	PG-S1	84.173	8,077	8,077
Total Special Education Cluster			1,086,142	1,009,990
Drug Free Schools and Communities	DR-S1	84.186	12,223	12,258
Title VI - Innovative Education Grant	C2-S1	84.298	11,924	13,150
Title II-D - Technology	TJ-S1	84.318	3,274	3,082
Comprehensive School Reform	RF-S2	84.332	119,687	116,378
Improving Teacher Quality	TR-S1	84.367	160,415	148,555
Total Passed Through Ohio Department of Education			1,661,902	1,559,555
Total U.S. Department of Education			1,794,036	1,692,242
TOTAL FEDERAL AWARD EXPENDITURES			$ 2,318,546	$ 2,216,752

See accompanying notes to the Schedule of Expenditures of Federal Awards.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

1. Significant Accounting Policies:

   The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Marysville Exempted Village School District. The schedule has been prepared on the cash basis of accounting.

2. U.S. Department of Agriculture Programs:

   Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2007 the District had no significant food commodities in inventory.

3. Matching Requirements:

   Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the schedule of expenditures of federal awards.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2007-001 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2007-001 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated January 17, 2008.

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

This report is intended solely for the information and use of management, the finance committee, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 17, 2008

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

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

Compliance

We have audited the compliance of the Marysville Exempted Village School District (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, 2007. 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the 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, 2007.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the finance committee, management, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 17, 2008

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRCT
JUNE 30, 2007

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies 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):	<u>Program</u> <u>CFDA#</u> Special Education Cluster Title VI-B Grants 84.027 Preschool Grants 84.173 Title II-A 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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2007-001: Audit Adjustments

During the course of our audit, we identified misstatement in the financial statements for the year under audit that was not initially identified by the District's internal control. A description of the adjustments needed follows:

- ***Accounts Payable.*** Additional accounts payables were identified during the audit which totaled approximately $2.6 million in the Building Acquisition and Construction capital projects fund. These payables also affected the amounts reported in the governmental activities.
- ***Construction in Progress.*** As the payables noted above were associated with the school construction project, it was necessary to adjust the construction in progress amount reported for the governmental activities by the $2.6 million.

The District should closely review the annual financial report prepared to ensure all transactions and account balances are accurately reported.

Management Response: *The District was made aware of, and agrees with, the adjustments discovered during the audit. The financial statements were changed based on those adjustments and we will take corrective action to ensure similar issues are not present in subsequent years.*

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

None Reported

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Explanation of Correction
2006-001	Adoption of permanent appropriation resolution by required date and budgetary expenditures exceeding appropriations in two funds.	NO	The District did adopt its permanent appropriation resolution by the required date; however, there was an instance where budgetary expenditures exceeded appropriations by an insignificant amount for one fund. This was included as a comment in the management letter.
2006-002	The District did not have a process in place to monitor if the arbitrage rules required a liability to be reported on the financial statements.	YES	The District has established a procedure with its legal counsel and bond counsel to identify any potential arbitrage liabilities which would require disclosure.

Mary Taylor, CPA
Auditor of State

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 11, 2008