



**Auditor of State
Betty Montgomery**

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2005, 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.

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

Insurance claims reported in the Self Insurance Fund (an internal service fund, included in the governmental activities and as remaining fund information) are processed by a service organization independent of the District. The service organization did not provide us with information we requested regarding the design of proper operation of its internal controls. We were therefore unable to satisfy ourselves as to the proper processing of dental and vision insurance claims expenses and liabilities. Those claims represent 1% of expenses and .04% of accrued liabilities reported with the governmental activities, and 12% of the expenses and 5% of the liabilities reported with the remaining fund information.

In our opinion, except for the effects of such adjustments, if any as might have been necessary had we been able to examine certain information regarding dental and vision insurance claims reported with the governmental activities and remaining fund information as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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As described in Note 2, during the year ended June 30, 2005, the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-002, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Betty Montgomery
Auditor of State

January 19, 2006

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005*

Unaudited

The discussion and analysis of Marysville Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

In total, net assets decreased (\$150,829). Net assets of governmental activities decreased (\$541,191), which represents a 9.4% decrease from 2004. Net assets of business-type activities increased \$390,362 or 147.2% from 2004.

General revenues accounted for \$47,618,694 in revenue or 91.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,437,941 or 8.5% of total revenues of \$52,056,635.

The District had \$50,065,331 in expenses related to governmental activities; only \$2,505,446 of these expenses were offset by program specific charges for services, grants or contributions. General revenues were not adequate to provide for these programs and it was necessary to make use of a portion of net assets to cover the expenses.

Among major funds, the general fund had \$42,555,866 in revenues and \$39,247,176 in expenditures. The general fund's fund balance increased \$1,712,094 to a deficit of \$(358,570). The increase is a result of a \$2 million property tax settlement.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005***

Unaudited

Government-wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Unaudited

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2005 compared to 2004.

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	Restated 2004	2005	2004	2005	2004
Current and other assets	\$78,514,386	\$33,441,592	(\$70,898)	(\$507,755)	\$78,443,488	\$32,933,837
Capital assets, Net	51,186,933	53,660,598	440,275	489,192	51,627,208	54,149,790
Total assets	129,701,319	87,102,190	369,377	(18,563)	130,070,696	87,083,627
Long-term debt outstanding	89,081,128	46,369,214	46,964	38,006	89,128,092	46,407,220
Other liabilities	35,447,066	35,018,660	197,217	208,597	35,644,283	35,227,257
Total liabilities	124,528,194	81,387,874	244,181	246,603	124,772,375	81,634,477
Net assets						
Invested in capital assets, net of related debt	4,398,322	6,370,618	440,275	489,192	4,838,597	6,859,810
Restricted	3,272,760	2,409,948	0	0	3,272,760	2,409,948
Unrestricted	(2,497,957)	(3,066,250)	(315,079)	(754,358)	(2,813,036)	(3,820,608)
Total net assets	<u>\$5,173,125</u>	<u>\$5,714,316</u>	<u>\$125,196</u>	<u>(\$265,166)</u>	<u>\$5,298,321</u>	<u>\$5,449,150</u>

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal years 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services and Sales	\$583,874	\$559,757	\$1,522,357	\$1,557,844	\$2,106,231	\$2,117,601
Operating Grants and Contributions	1,886,502	1,526,795	410,138	372,727	2,296,640	1,899,522
Capital Grants and Contributions	35,070	0	0	0	35,070	0
Total Program Revenues	<u>2,505,446</u>	<u>2,086,552</u>	<u>1,932,495</u>	<u>1,930,571</u>	<u>4,437,941</u>	<u>4,017,123</u>
General Revenues:						
Property Taxes	29,884,641	27,517,497	0	0	29,884,641	27,517,497
Grants and Entitlements	16,648,589	14,829,513	0	0	16,648,589	14,829,513
Other	1,085,464	741,436	0	0	1,085,464	741,436
Total General Revenues	<u>47,618,694</u>	<u>43,088,446</u>	<u>0</u>	<u>0</u>	<u>47,618,694</u>	<u>43,088,446</u>
Total Revenues	<u>50,124,140</u>	<u>45,174,998</u>	<u>1,932,495</u>	<u>1,930,571</u>	<u>52,056,635</u>	<u>47,105,569</u>
Program Expenses						
Instruction	27,339,365	25,714,383	0	0	27,339,365	25,714,383
Support Services:						
Pupils	2,449,913	2,556,763	0	0	2,449,913	2,556,763
Instructional Staff	4,541,169	4,288,548	0	0	4,541,169	4,288,548
Board of Education	17,732	13,542	0	0	17,732	13,542
Administration	3,289,031	3,447,361	0	0	3,289,031	3,447,361
Fiscal Services	1,241,060	1,038,472	0	0	1,241,060	1,038,472
Business	682,790	615,104	0	0	682,790	615,104
Operation and Maintenance of Plant	3,502,867	3,509,070	0	0	3,502,867	3,509,070
Pupil Transportation	2,421,243	2,338,404	0	0	2,421,243	2,338,404
Central	276,182	191,952	0	0	276,182	191,952
Operation of Non-Instructional Services	90,785	94,313	0	0	90,785	94,313
Extracurricular Activities	1,243,503	1,090,066	0	0	1,243,503	1,090,066
Interest and Fiscal Charges	2,969,691	2,474,245	0	0	2,969,691	2,474,245
Food Service	0	0	1,652,798	1,636,306	1,652,798	1,636,306
Uniform School Supplies	0	0	92,818	101,312	92,818	101,312
Rotary-Special Services	0	0	7,717	5,970	7,717	5,970
Special Enterprise-Day Care	0	0	388,800	339,801	388,800	339,801
Total expenses	<u>50,065,331</u>	<u>47,372,223</u>	<u>2,142,133</u>	<u>2,083,389</u>	<u>52,207,464</u>	<u>49,455,612</u>
Change in Net Assets before transfers	58,809	(2,197,225)	(209,638)	(152,818)	(150,829)	(2,350,043)
Transfers	(600,000)	0	600,000	0	0	0
Total Change in Net Assets	(541,191)	(2,197,225)	390,362	(152,818)	(150,829)	(2,350,043)
Beginning Net Assets, Restated	5,714,316	7,911,541	(265,166)	(112,348)	5,449,150	7,799,193
Total Net Assets	<u>\$5,173,125</u>	<u>\$5,714,316</u>	<u>\$125,196</u>	<u>(\$265,166)</u>	<u>\$5,298,321</u>	<u>\$5,449,150</u>

Governmental Activities

Net assets of the District's governmental activities decreased by (\$541,191). This was due to a transfer to the Food Service Fund (enterprise fund) to cover a deficit in that fund.

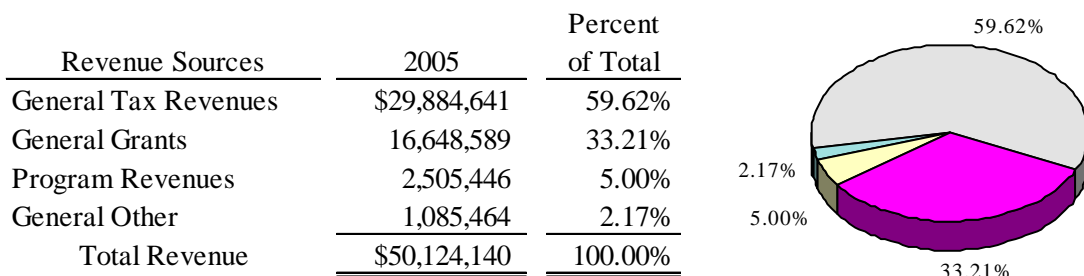
MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Unaudited

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

Property taxes made up 60% of revenues for governmental activities for Marysville Exempted Village Schools in fiscal year 2005. The District's reliance upon tax revenues is demonstrated by the following graph:



Business-Type Activities

Net assets of the business-type activities increased by \$390,362. This increase is a result of a transfer from the General Fund to cover a negative balance. 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 \$42,380,009 which is greater than last year's deficit of (\$2,958,273). The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Fund Balance June 30, 2004	Increase (Decrease)
General	(\$358,570)	(\$2,070,664)	\$1,712,094
Bond Retirement	6,896,862	301,033	6,595,829
Permanent Improvement	2,532,454	1,732,873	799,581
Building Acquisition and Construction	32,965,285	(3,271,159)	36,236,444
Other Governmental	343,978	349,644	(5,666)
Total	\$42,380,009	(\$2,958,273)	\$45,338,282

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Unaudited

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

	2005 <u>Revenues</u>	2004 <u>Revenues</u>	Increase (Decrease)
Taxes	\$25,976,618	\$20,792,502	\$5,184,116
Tuition	121,182	122,023	(841)
Transportation Fees	13,392	15,132	(1,740)
Investment Earnings	114,608	38,562	76,046
Class Materials and Fees	130,604	116,301	14,303
Intergovernmental - State	15,770,068	14,066,130	1,703,938
Intergovernmental - Federal	20,897	0	20,897
All Other Revenue	<u>408,497</u>	<u>571,613</u>	<u>(163,116)</u>
Total	<u>\$42,555,866</u>	<u>\$35,722,263</u>	<u>\$6,833,603</u>

General Fund revenues in 2005 increased approximately 19.1% compared to revenues in fiscal year 2004. The primary factors contributing to this increase were the settlement of a property tax dispute for \$2 million and a full year's collection of a 5 mill property tax levy that went into effect in the second half of fiscal year 2004. The levy also resulted in an increase in homestead/rollback payments received from the State. An increase in the State's foundation revenues due to increased students in the District also contributed to the increase in Intergovernmental Revenue.

	2005 <u>Expenditures</u>	2004 <u>Expenditures</u>	Increase (Decrease)
Instruction	\$22,443,430	\$20,735,895	\$1,707,535
Supporting Services:			
Pupils	2,272,514	2,301,282	(28,768)
Instructional Staff	3,293,502	2,764,852	528,650
Board of Education	16,072	11,508	4,564
Administration	3,014,446	3,119,004	(104,558)
Fiscal Services	1,065,783	886,855	178,928
Business	653,870	526,659	127,211
Operation & Maintenance of Plant	3,251,026	3,165,905	85,121
Pupil Transportation	2,037,155	1,788,147	249,008
Central	250,057	158,577	91,480
Operation of Non-Instructional Services	2,544	1,694	850
Extracurricular Activities	850,256	747,089	103,167
Debt Service			
Principal Retirement	55,000	265,000	(210,000)
Interest and Fiscal Charges	<u>41,521</u>	<u>54,322</u>	<u>(12,801)</u>
Total	<u>\$39,247,176</u>	<u>\$36,526,789</u>	<u>\$2,720,387</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Unaudited

The expenditures increased by \$2,720,387 or 7.4% compared to the prior year mostly due to increases in salaries and wages. There were new personnel added in Instruction, Instructional Staff, Fiscal Services, Business, Pupil Transportation and Central and wage and salary increases were approximately 3.75%.

The Bond Retirement Fund received proceeds from the inception of a capital lease which increased the fund balance from \$301,033 to \$6,896,862.

The Permanent Improvement Fund increased from \$1,732,873 to \$2,532,454 as a result of a 15.7% increase in revenues primarily due to the settlement of a property tax dispute.

The Building Acquisition and Construction Fund received proceeds from the inception of a capital lease which increased the fund balance from a deficit of \$3,271,159 to \$32,965,285.

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 2005 the District amended its General Fund budget several times, none significant except estimated tax revenues.

For the General Fund, budget basis revenue was \$42.1 million, above original budget estimates of \$36.2 million. The increase in budget basis revenue was due to the property tax settlement and an increase in property taxes due to the growth in the tax base but which is not budgeted until later in the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the District had \$51,627,208, net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$51,186,933 was related to governmental activities and \$440,275 to the business-type activities. The following table shows fiscal year 2004 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2005	Restated 2004	
Land	\$1,650,479	\$1,640,099	\$10,380
Land Improvements	3,509,435	3,294,119	215,316
Buildings and Improvements	56,604,275	56,599,008	5,267
Furniture, Fixtures and Equipment	13,277,709	14,036,756	(759,047)
Vehicles	2,461,334	2,179,415	281,919
Construction in Progress	181,164	133,185	47,979
Less: Accumulated Depreciation	(26,497,463)	(24,221,984)	(2,275,479)
Totals	\$51,186,933	\$53,660,598	(\$2,473,665)

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Furniture and Equipment	\$1,044,297	\$1,053,528	(\$9,231)
Less: Accumulated Depreciation	(604,022)	(564,336)	(39,686)
Totals	\$440,275	\$489,192	(\$48,917)

The primary decrease occurred in furniture, fixtures and equipment, as a result of disposing of outdated computers.

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

Debt

At June 30, 2005, the District had \$89.1 million in bonds, notes, capital leases and compensated absences outstanding, \$1,500,205 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2005:

	2005	2004
Governmental Activities:		
General Obligation Bond:		
School Improvement	\$40,525,447	\$41,083,980
Installment Notes Payable	785,000	840,000
Capital Leases Payable	45,295,539	1,966,000
Compensated Absences	2,475,142	2,479,234
Total Governmental Activities	89,081,128	46,369,214
Business-Type Activities:		
Compensated Absences	46,964	38,006
Totals	\$89,128,092	\$46,407,220

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2005, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005***

Unaudited

ECONOMIC FACTORS

The District relies on its property taxes and State Foundation Funds to provide the funds necessary to maintain its educational programs. The Marysville School district continues to be one of the fastest growing school districts in Central Ohio with a 5% growth rate per year. This year's growth brought the total school population to over 5,000 students an increase of 1,400 students since 1997. Our graduating class in 2002 was the last class under 300 students and the incoming kindergarten class in the fall of 2005 is over 400 students.

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

The assessed valuation for Marysville schools went from \$681,257,590 in 2004 to \$788,225,810 in 2005.

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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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Digital Academy
Assets:				
Cash and Cash Equivalents	\$ 4,355,017	\$ 156,106	\$ 4,511,123	\$ 36,437
Investments	1,979,205	0	1,979,205	0
Receivables:				
Taxes	28,210,995	0	28,210,995	0
Accounts	2,605	1,549	4,154	0
Intergovernmental	379,322	0	379,322	13,332
Interest	95,609	0	95,609	0
Internal Balance	252,232	(252,232)	0	0
Inventory of Supplies at Cost	0	22,503	22,503	0
Prepaid Items	50,266	1,176	51,442	0
Restricted Assets:				
Cash and Investments Held by Trustee	43,189,135	0	43,189,135	0
Capital Assets, Net	51,186,933	440,275	51,627,208	48,369
Total Assets	129,701,319	369,377	130,070,696	208,208
Liabilities:				
Accounts Payable	283,601	4,924	288,525	1,210
Accrued Wages and Benefits	3,970,887	103,026	4,073,913	0
Intergovernmental Payable	1,183,596	89,267	1,272,863	0
Claims Payable	48,377	0	48,377	0
Deferred Revenue - Taxes	25,489,563	0	25,489,563	0
Early Retirement Incentive Payable	15,000	0	15,000	0
Accrued Interest Payable	161,042	0	161,042	0
General Obligation Notes Payable	4,295,000	0	4,295,000	0
Long Term Liabilities:				
Due Within One Year	1,500,205	0	1,500,205	0
Due in More Than One Year	87,580,923	46,964	87,627,887	0
Total Liabilities	124,528,194	244,181	124,772,375	1,210
Net Assets:				
Invested in Capital Assets, Net of Related Debt	4,398,322	440,275	4,838,597	48,369
Restricted For:				
Capital Projects	3,170,194	0	3,170,194	0
Other Purposes	102,566	0	102,566	0
Unrestricted (Deficit)	(2,497,957)	(315,079)	(2,813,036)	48,559
Total Net Assets	\$ 5,173,125	\$ 125,196	\$ 5,298,321	\$ 96,928

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 27,339,365	\$ 283,704	\$ 1,047,996	\$ 35,070
Support Services:				
Pupils	2,449,913	0	29,392	0
Instructional Staff	4,541,169	0	410,206	0
Board of Education	17,732	0	0	0
Administration	3,289,031	0	184,586	0
Fiscal Services	1,241,060	0	26,317	0
Business	682,790	0	4,341	0
Operation and Maintenance of Plant	3,502,867	0	22,368	0
Pupil Transportation	2,421,243	13,392	41,957	0
Central	276,182	0	15,488	0
Operation of Non-Instructional Services	90,785	0	88,273	0
Extracurricular Activities	1,243,503	286,778	15,578	0
Interest and Fiscal Charges	2,969,691	0	0	0
Total Governmental Activities	<u>50,065,331</u>	<u>583,874</u>	<u>1,886,502</u>	<u>35,070</u>
Business-Type Activities:				
Food Service	1,652,798	1,063,460	410,138	0
Uniform School Supplies	92,818	96,322	0	0
Rotary - Special Services	7,717	5,634	0	0
Special Enterprise-Day Care	388,800	356,941	0	0
Total Business-Type Activities	<u>2,142,133</u>	<u>1,522,357</u>	<u>410,138</u>	<u>0</u>
Totals	<u>\$ 52,207,464</u>	<u>\$ 2,106,231</u>	<u>\$ 2,296,640</u>	<u>\$ 35,070</u>
Component Unit:				
Digital Academy	<u>\$ 319,996</u>	<u>\$ 0</u>	<u>\$ 17,188</u>	

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Digital Academy
\$ (25,972,595)	\$ 0	\$ (25,972,595)	
(2,420,521)	0	(2,420,521)	
(4,130,963)	0	(4,130,963)	
(17,732)	0	(17,732)	
(3,104,445)	0	(3,104,445)	
(1,214,743)	0	(1,214,743)	
(678,449)	0	(678,449)	
(3,480,499)	0	(3,480,499)	
(2,365,894)	0	(2,365,894)	
(260,694)	0	(260,694)	
(2,512)	0	(2,512)	
(941,147)	0	(941,147)	
(2,969,691)	0	(2,969,691)	
(47,559,885)	0	(47,559,885)	
0	(179,200)	(179,200)	
0	3,504	3,504	
0	(2,083)	(2,083)	
0	(31,859)	(31,859)	
0	(209,638)	(209,638)	
(47,559,885)	(209,638)	(47,769,523)	
			\$ (302,808)
24,309,015	0	24,309,015	0
2,623,490	0	2,623,490	0
2,952,136	0	2,952,136	0
16,648,589	0	16,648,589	223,192
460,997	0	460,997	0
624,467	0	624,467	0
(600,000)	600,000	0	0
47,018,694	600,000	47,618,694	223,192
(541,191)	390,362	(150,829)	(79,616)
5,714,316	(265,166)	5,449,150	176,544
\$ 5,173,125	\$ 125,196	\$ 5,298,321	\$ 96,928

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2005

	General	Bond Retirement	Permanent Improvement
Assets:			
Cash and Cash Equivalents	\$ 702,585	\$ 450,507	\$ 2,422,570
Investments	1,979,205	0	0
Receivables:			
Taxes	22,912,673	2,524,562	2,773,760
Accounts	2,272	0	0
Intergovernmental	0	0	0
Interest	2,563	5,277	0
Interfund Loan Receivable	6,973	0	0
Prepaid Items	49,246	0	1,020
Restricted Assets:			
Cash and Investments Held by Trustee	0	6,218,230	0
Advance to Other Funds	252,232	0	0
Total Assets	\$ 25,907,749	\$ 9,198,576	\$ 5,197,350
Liabilities:			
Accounts Payable	\$ 104,575	\$ 0	\$ 128,109
Accrued Wages and Benefits	3,829,036	0	0
Intergovernmental Payable	1,151,408	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue - Taxes	20,999,532	2,296,437	2,536,787
Deferred Revenue	2,563	5,277	0
Early Retirement Incentive Payable	15,000	0	0
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Compensated Absences Payable	164,205	0	0
Total Liabilities	26,266,319	2,301,714	2,664,896
Fund Balances:			
Reserved for Encumbrances	111,083	0	255,679
Reserved for Prepaid Items	49,246	0	1,020
Reserved for Debt Service	0	6,668,737	0
Reserved for Property Taxes	1,913,141	228,125	236,793
Reserved for Capital Projects	0	0	0
Reserved for Advances	252,232	0	0
Unreserved, Undesignated in:			
General Fund (Deficit)	(2,684,272)	0	0
Special Revenue Funds	0	0	0
Capital Projects Funds (Deficit)	0	0	2,038,962
Total Fund Balances	(358,570)	6,896,862	2,532,454
Total Liabilities and Fund Balances	\$ 25,907,749	\$ 9,198,576	\$ 5,197,350

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
\$ 304,372	\$ 369,363	\$ 4,249,397
0	0	1,979,205
0	0	28,210,995
0	300	2,572
0	379,322	379,322
87,769	0	95,609
0	144	7,117
0	0	50,266
36,970,905	0	43,189,135
0	0	252,232
<u>\$ 37,363,046</u>	<u>\$ 749,129</u>	<u>\$ 78,415,850</u>
\$ 0	\$ 50,917	\$ 283,601
0	141,851	3,970,887
0	32,188	1,183,596
0	7,117	7,117
0	0	25,832,756
87,769	173,078	268,687
0	0	15,000
14,992	0	14,992
4,295,000	0	4,295,000
0	0	164,205
<u>4,397,761</u>	<u>405,151</u>	<u>36,035,841</u>
274,750	54,062	695,574
0	0	50,266
0	0	6,668,737
0	0	2,378,059
36,970,905	0	36,970,905
0	0	252,232
0	0	(2,684,272)
0	289,916	289,916
(4,280,370)	0	(2,241,408)
<u>32,965,285</u>	<u>343,978</u>	<u>42,380,009</u>
<u>\$ 37,363,046</u>	<u>\$ 749,129</u>	<u>\$ 78,415,850</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2005

Total Governmental Fund Balances	\$ 42,380,009
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not current resources and therefore are not reported in the funds.	51,186,933
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	611,880
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.	57,276
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-Term Notes Payable	(785,000)
General Obligation Bonds Payable	(40,525,447)
Capital Leases Payable	(45,295,539)
Compensated Absences Payable	(2,310,937)
Accrued Interest Payable	(146,050)
	<u>(89,062,973)</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 5,173,125</u>

See accompanying notes to the basic financial statements

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2005

	General	Bond Retirement	Permanent Improvement
Revenues:			
Local Sources:			
Taxes	\$ 25,976,618	\$ 2,762,497	\$ 3,142,358
Tuition	121,182	0	0
Transportation Fees	13,392	0	0
Investment Earnings	114,608	62,615	0
Extracurricular Activities	0	0	0
Class Materials and Fees	130,604	0	0
Intergovernmental - State	15,770,068	657,304	220,008
Intergovernmental - Federal	20,897	0	0
All Other Revenue	408,497	0	77,112
Total Revenue	42,555,866	3,482,416	3,439,478
Expenditures:			
Current:			
Instruction	22,443,430	0	664,858
Supporting Services:			
Pupils	2,272,514	0	0
Instructional Staff	3,293,502	0	700,497
Board of Education	16,072	0	0
Administration	3,014,446	0	450
Fiscal Services	1,065,783	61,497	87,856
Business	653,870	0	19,100
Operation and Maintenance of Plant	3,251,026	0	309,906
Pupil Transportation	2,037,155	0	215,718
Central	250,057	0	0
Operation of Non-Instructional Services	2,544	0	0
Extracurricular Activities	850,256	0	0
Capital Outlay	0	0	641,512
Debt Service:			
Principal Retirement	55,000	1,250,000	0
Interest and Fiscal Charges	41,521	2,166,351	0
Total Expenditures	39,247,176	3,477,848	2,639,897
Excess (Deficiency) of Revenues Over Expenditures	3,308,690	4,568	799,581
Other Financing Sources (Uses):			
Sale of Capital Assets	32,998	0	0
Inception of Capital Lease	0	6,654,664	0
Transfers In	5,406	0	0
Transfers Out	(1,635,000)	(63,403)	0
Total Other Financing Sources (Uses)	(1,596,596)	6,591,261	0
Net Change in Fund Balance	1,712,094	6,595,829	799,581
Fund Balances at Beginning of Year, Restated	(2,070,664)	301,033	1,732,873
Fund Balances End of Year	\$ (358,570)	\$ 6,896,862	\$ 2,532,454

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Building Acquisition and Construction	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 31,881,473
0	0	121,182
0	0	13,392
188,165	0	365,388
0	397,854	397,854
0	0	130,604
0	339,955	16,987,335
0	1,383,312	1,404,209
0	42,280	527,889
<u>188,165</u>	<u>2,163,401</u>	<u>51,829,326</u>
0	1,059,731	24,168,019
0	103,172	2,375,686
0	332,106	4,326,105
0	0	16,072
0	176,458	3,191,354
0	26,318	1,241,454
0	4,341	677,311
0	20,485	3,581,417
0	16,481	2,269,354
0	30,598	280,655
0	92,874	95,418
0	299,597	1,149,853
686,527	1,500	1,329,539
0	0	1,305,000
72,472	0	2,280,344
<u>758,999</u>	<u>2,163,661</u>	<u>48,287,581</u>
(570,834)	(260)	3,541,745
0	0	32,998
36,743,875	0	43,398,539
63,403	500	69,309
0	(5,906)	(1,704,309)
<u>36,807,278</u>	<u>(5,406)</u>	<u>41,796,537</u>
36,236,444	(5,666)	45,338,282
(3,271,159)	349,644	(2,958,273)
<u>\$ 32,965,285</u>	<u>\$ 343,978</u>	<u>\$ 42,380,009</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 45,338,282

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (2,343,075)

The effect of disposals of capital assets is to decrease net assets. (130,590)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,738,184)

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. (42,024,539)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (689,347)

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 9,218

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 1,037,044

Change in Net Assets of Governmental Activities \$ (541,191)

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For The Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 20,245,799	\$ 25,503,083	\$ 25,503,083	\$ 0
Tuition	138,000	118,142	121,672	3,530
Transportation Fees	17,000	12,815	12,916	101
Investment Earnings	130,000	86,710	114,608	27,898
Class Material and Fees	163,750	130,078	131,422	1,344
Intergovernmental - State	14,950,167	15,776,872	15,770,068	(6,804)
Intergovernmental - Federal	0	20,897	20,897	0
All Other Revenues	229,000	179,519	346,861	167,342
Total Revenues	<u>35,873,716</u>	<u>41,828,116</u>	<u>42,021,527</u>	<u>193,411</u>
Expenditures:				
Current:				
Instruction	22,178,221	22,281,802	22,152,871	128,931
Support Services:				
Pupils	2,337,430	2,285,376	2,261,614	23,762
Instructional Staff	3,128,051	3,224,273	3,158,988	65,285
Board of Education	8,428	16,315	16,072	243
Administration	3,320,815	3,113,100	3,062,007	51,093
Fiscal Services	924,198	1,067,798	1,055,071	12,727
Business	686,721	711,866	685,202	26,664
Operation and Maintenance of Plant	3,397,254	3,318,375	3,200,489	117,886
Pupil Transportation	1,892,275	1,976,582	1,968,360	8,222
Central	179,845	244,332	241,449	2,883
Non-Instructional Operations	5,652	5,652	2,544	3,108
Extracurricular Activities	802,235	823,978	813,029	10,949
Debt Service:				
Principal Retirement	55,000	55,000	55,000	0
Interest and Fiscal Charges	59,784	59,784	41,521	18,263
Total Expenditures	<u>38,975,909</u>	<u>39,184,233</u>	<u>38,714,217</u>	<u>470,016</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,102,193)	2,643,883	3,307,310	663,427
Other Financing Sources (Uses):				
Sale of Capital Assets	40,000	32,795	32,998	203
Transfers In	0	5,406	5,406	0
Transfers Out	(1,500,000)	(1,635,000)	(1,635,000)	0
Advances In	200,000	200,000	2,362	(197,638)
Advances Out	0	0	(6,973)	(6,973)
Refund of Prior Year's Expenditures	50,000	67,383	67,383	0
Total Other Financing Sources (Uses):	<u>(1,210,000)</u>	<u>(1,329,416)</u>	<u>(1,533,824)</u>	<u>(204,408)</u>
Net Change in Fund Balance	(4,312,193)	1,314,467	1,773,486	459,019
Fund Balance at Beginning of Year	366,432	366,432	366,432	0
Prior Year Encumbrances	199,453	199,453	199,453	0
Fund Balance at End of Year	<u>\$ (3,746,308)</u>	<u>\$ 1,880,352</u>	<u>\$ 2,339,371</u>	<u>\$ 459,019</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

***Statement of Net Assets
Proprietary Funds
June 30, 2005***

	<u>Business -Type Activities - Nonmajor Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Assets:		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 156,106	\$ 105,620
Receivables:		
Accounts	1,549	33
Inventory of Supplies at Cost	22,503	0
Prepaid Items	1,176	0
<i>Total Current Assets</i>	<u>181,334</u>	<u>105,653</u>
<i>Non Current Assets:</i>		
Capital Assets, Net	<u>440,275</u>	<u>0</u>
Total Assets	<u>621,609</u>	<u>105,653</u>
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	4,924	0
Accrued Wages and Benefits	103,026	0
Intergovernmental Payable	89,267	0
Claims Payable	0	48,377
<i>Total Current Liabilities</i>	<u>197,217</u>	<u>48,377</u>
<i>Long Term Liabilities:</i>		
Advances from Other Funds	252,232	0
Compensated Absences Payable	46,964	0
<i>Total Long Term Liabilities</i>	<u>299,196</u>	<u>0</u>
Total Liabilities	<u>496,413</u>	<u>48,377</u>
Net Assets:		
Invested in Capital Assets	440,275	0
Unrestricted	(315,079)	57,276
Total Net Assets	<u>\$ 125,196</u>	<u>\$ 57,276</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	<u>Business -Type Activities - Nonmajor Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating Revenues:		
Sales	\$ 1,063,460	\$ 0
Tuition and Fees	453,263	0
Interfund Charges	0	688,906
All Other Revenue	5,634	0
Total Operating Revenues	<u>1,522,357</u>	<u>688,906</u>
Operating Expenses:		
Salaries and Wages	822,588	0
Fringe Benefits	371,597	0
Contractual Services	55,525	66,947
Supplies and Materials	796,240	0
Depreciation	48,874	0
Claims	0	619,915
Other Operating Expense	45,622	0
Total Operating Expenses	<u>2,140,446</u>	<u>686,862</u>
Operating Income (Loss)	(618,089)	2,044
Nonoperating Revenue (Expenses):		
Operating Grants	410,138	0
Loss on Disposal of Capital Assets	(1,687)	0
Total Nonoperating Revenues (Expenses)	<u>408,451</u>	<u>0</u>
Net Income (Loss) before Transfers	(209,638)	2,044
Transfers In	600,000	1,035,000
Change in Net Assets	390,362	1,037,044
Net Assets Beginning of Year	<u>(265,166)</u>	<u>(979,768)</u>
Net Assets End of Year	<u>\$ 125,196</u>	<u>\$ 57,276</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2005

	<u>Business -Type Activities - Nonmajor Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$1,068,988	\$0
Cash Received from Tuition and Fee Payments	452,711	0
Cash Received from Interfund Charges	0	794,160
Cash Payments for Goods and Services	(813,914)	(66,947)
Cash Payments to Employees for Services and Benefits	(1,184,871)	(1,437,361)
Net Cash Used for Operating Activities	(477,086)	(710,148)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Transfers In from General Fund	600,000	1,035,000
Repayment of Interfund Loan	(435,938)	(219,232)
Operating Grants Received	336,757	0
Net Cash Provided by Noncapital Financing Activities	500,819	815,768
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and Construction of Assets	(1,644)	0
Net Cash Used by Capital and Related Financing Activities	(1,644)	0
Net Increase in Cash and Cash Equivalents	22,089	105,620
Cash and Cash Equivalents at Beginning of Year	134,017	0
Cash and Cash Equivalents at End of Year	\$156,106	\$105,620
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Income (Loss)	(\$618,089)	\$2,044
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Used for Operating Activities:		
Depreciation Expense	48,874	0
Donated Commodities Used During the Year	105,736	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(715)	1,340
Decrease in Due from Other Funds	0	103,914
Increase in Inventory	(3,528)	0
Increase in Prepaid Items	(1,074)	0
Decrease in Accounts Payable	(17,604)	(2,132)
Increase in Accrued Wages and Benefits	18,477	0
Decrease is Due to Other Funds	(5,868)	0
Decrease in Intergovernmental Payables	(12,253)	0
Decrease in Claims Payable	0	(815,314)
Increase in Compensated Absences	8,958	0
Total Adjustments	141,003	(712,192)
Net Cash Used for Operating Activities	(\$477,086)	(\$710,148)

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2005, \$105,736 in donated commodities was received from the federal government.

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	
	Special Trust Fund	Agency Funds
Assets:		
Cash and Cash Equivalents	\$ 6,330	\$ 38,750
Investments	20,079	0
Receivables:		
Interest	197	0
Total Assets	<u>26,606</u>	<u>38,750</u>
Liabilities:		
Due to Others	0	4,079
Due to Students	0	34,671
Total Liabilities	<u>0</u>	<u>38,750</u>
Net Assets:		
Unrestricted	26,606	0
Total Net Assets	<u>\$ 26,606</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
	<u>Special Trust Fund</u>
Additions:	
Contributions:	
Sales	\$ 35
Private Donations	<u>15,508</u>
Total Contributions	<u>15,543</u>
Investment Earnings:	
Interest	<u>459</u>
Total Additions	<u>16,002</u>
Deductions:	
Administrative Expenses	1,878
Community Gifts, Awards and Scholarships	<u>2,375</u>
Total Deductions	<u>4,253</u>
Change in Net Assets	11,749
Net Assets at Beginning of Year	<u>14,857</u>
Net Assets End of Year	<u><u>\$ 26,606</u></u>

See accompanying notes to the basic financial statements

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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 211 noncertified and approximately 361 certified teaching personnel and administrative employees providing education to 5,021 students.

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

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

B. Basis of Presentation - Fund Accounting

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

The following fund types are used by the District:

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

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

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Proprietary Funds – The proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the 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 Self Insurance Fund accounts for the interfund charges and claim payments applicable to the employee vision and dental plans.

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

C. Basis of Presentation and Measurement Focus – Financial Statements

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

Current property taxes measurable at June 30, 2005, and which are not intended to finance fiscal 2005 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, 2005 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 its governmental activities, 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.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

E. Budgetary Process

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

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

1. Tax Budget

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Appropriations

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance
	<u>General Fund</u>
GAAP Basis (as reported)	\$1,712,094
Increase (Decrease):	
Accrued Revenues at June 30, 2005, received during FY 2006	(1,922,386)
Accrued Revenues at June 30, 2004, received during FY 2005	1,450,819
Accrued Expenditures at June 30, 2005, paid during FY 2006	5,264,224
Accrued Expenditures at June 30, 2004, paid during FY 2005	(4,428,064)
FY 2004 Prepays for FY 2005	88,464
FY 2005 Prepays for FY 2006	(49,246)
Encumbrances Outstanding	<u>(342,419)</u>
Budget Basis	<u><u>\$1,773,486</u></u>

F. Cash and Cash Equivalents

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

The District has invested funds in STAR Ohio during 2005. 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, 2005. See Note 5, "Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

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

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

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

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

3. Depreciation

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

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

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
Early Retirement Incentive Payable	General Fund
Capital Leases Payable	Permanent Improvement Fund and General Obligation Bond Retirement Fund

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

M. Net Assets

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

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

N. Pensions

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

O. Interfund Activity

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

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for advances, prepaid items, debt service, capital projects, 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 – PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF NET ASSETS/FUND BALANCES

During the fiscal year ended June 30, 2004, the District corrected the calculation of accumulated depreciation for capital assets in the Statement of Net Assets for Governmental Activities. The correction resulted in the restatement of net assets at June 30, 2004 of the Governmental Activities as follows:

	<u>Governmental Activities</u>
Net Assets Balance at June 30, 2004 as reported	\$5,395,098
Correction of capital assets	319,218
Net Assets Balance at June 30, 2004 as restated	<u>\$5,714,316</u>

During the fiscal year ended June 30, 2004, the District implemented GASB Technical Bulletin 2004-02 which resulted in the restatement of fund balance at June 30, 2004 of the General Fund as follows:

	<u>General Fund</u>
Fund Balance at June 30, 2004 as reported	(\$1,754,844)
Implementation of GASB technical Bulletin 2004-02	(315,820)
Fund Balance at June 30, 2004 as restated	<u>(\$2,070,664)</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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

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

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

Capital Outlay	\$907,996
Depreciation Expense	<u>(3,251,071)</u>
	(\$2,343,075)

Governmental revenues not reported in the funds:

Decrease in Delinquent Tax Revenue	(\$1,996,832)
Increase in Investment Earnings	95,609
Increase in Grants Receivable	<u>163,039</u>
	(\$1,738,184)

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

Bond Principal Payment	\$1,250,000
Energy Conservation Project	55,000
Inception of Capital Lease	(43,398,539)
Capital Lease Payment	<u>69,000</u>
	(\$42,024,539)

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2005 of \$358,570 in the General Fund, \$576 in the Student Intervention Grant Fund, \$7,465 in the Title I Fund, \$99 in the Title II Fund, \$110 in the Drug and Alcohol Education Fund, \$115 in the Early Childhood Development Fund, and \$3,385 in the Reducing Class Size Grant Fund (special revenue funds), arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit of \$23,944 in Special Enterprise-Day Care Fund (enterprise fund) arose from the recognition of expenses on the accrual basis which are greater than expenses on the cash basis.

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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

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).

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 5 - 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 \$4,458,268 and the bank balance was \$4,544,774. Federal depository insurance covered \$323,902 of the bank balance and \$4,220,872 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	<u>\$4,220,872</u>
Total Balance	<u><u>\$4,220,872</u></u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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

B. Investments

The District's investments at June 30, 2005 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$37,239	AAAm ¹	\$37,239	\$0	\$0
Money Market Funds	260,177	AAA ¹	260,177	0	0
FNMA*	10,003,938	AAA ¹ , Aaa ²	5,972,813	4,031,125	0
FHLB	11,070,371	AAA ¹ , Aaa ²	984,375	7,015,037	3,070,959
FHLMC	6,911,430	AAA ¹ , Aaa ²	3,968,280	2,943,150	0
FNMA Notes	15,957,039	AAA ¹ , Aaa ²	15,957,039	0	0
FHLMC Notes	1,046,160	AAA ¹ , Aaa ²	1,046,160	0	0
Total Investments	<u>\$45,286,354</u>		<u>\$28,226,083</u>	<u>\$13,989,312</u>	<u>\$3,070,959</u>

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, 22.1% are FNMA, 24.4% are FHLB, 15.3% are FHLMC, 35.2% are FNMA Notes, and 2.3% are FHLMC Notes.

C. Component Unit

At year end the carrying amount of the Academy's deposits was of \$36,437 and the bank balance was \$39,544. The Federal Deposit Insurance Corporation (FDIC) covered \$39,544 of the bank balance.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2005 were levied in April 2004 on assessed values as of January 1, 2004, 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 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marysville Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2005, upon which the 2004 levies were based, were as follows:

	Assessed Values for Collection in:	
	2004 Second Half	2005 First Half
Agricultural/Residential and Other Real Estate	\$479,160,780	\$546,360,920
Public Utility Personal	33,708,920	34,990,230
Tangible Personal Property	168,387,890	206,874,660
Total Assessed Value	<u>\$681,257,590</u>	<u>\$788,225,810</u>
Tax rate per \$1,000 of assessed valuation	\$52.56	\$52.56

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts, intergovernmental, and interest receivables.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2005:

	<u>Interfund Loans Receivables</u>	<u>Interfund Loans Payables</u>
General Fund	\$6,973	\$0
Nonmajor Governmental Funds	144	7,117
Totals	<u>\$7,117</u>	<u>\$7,117</u>

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

NOTE 9 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for fiscal year 2005:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$5,406	\$1,635,000
Bond Retirement Fund	0	63,403
Building Acquisition and Construction Fund	63,403	0
Nonmajor Governmental Funds	500	5,906
Nonmajor Enterprise Fund	600,000	0
Internal Service Fund	1,035,000	0
Total All Funds	<u>\$1,704,309</u>	<u>\$1,704,309</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2005:

Historical Cost:

Class	June 30, 2004	Additions	Deletions	June 30, 2005
<i>Capital Assets not being depreciated:</i>				
Land	\$1,640,099	\$10,380	\$0	\$1,650,479
Construction in Progress	133,185	242,831	(194,852)	181,164
Subtotal	<u>1,773,284</u>	<u>253,211</u>	<u>(194,852)</u>	<u>1,831,643</u>
<i>Capital Assets being depreciated:</i>				
Land Improvements	3,294,119	217,474	(2,158)	3,509,435
Buildings and Improvements	56,599,008	5,267	0	56,604,275
Furniture, Fixtures and Equipment	14,036,756	344,977	(1,104,024)	13,277,709
Vehicles	2,179,415	281,919	0	2,461,334
Subtotal	<u>76,109,298</u>	<u>849,637</u>	<u>(1,106,182)</u>	<u>75,852,753</u>
Total Cost	<u>\$77,882,582</u>	<u>\$1,102,848</u>	<u>(\$1,301,034)</u>	<u>\$77,684,396</u>
<i>Accumulated Depreciation:</i>				
Class	Restated June 30, 2004	Additions	Deletions	June 30, 2005
Land Improvements	(\$1,664,726)	(\$168,931)	\$0	(\$1,833,657)
Buildings and Improvements	(12,898,144)	(1,398,763)	0	(14,296,907)
Furniture, Fixtures and Equipment	(8,691,451)	(1,490,876)	975,592	(9,206,735)
Vehicles	(967,663)	(192,501)	0	(1,160,164)
Total Depreciation	<u>(\$24,221,984)</u>	<u>(\$3,251,071) *</u>	<u>\$975,592</u>	<u>(\$26,497,463)</u>
<i>Net Value:</i>	<u>\$53,660,598</u>			<u>\$51,186,933</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$2,413,651
Support Services:	
Pupils	80,876
Instructional Staff	304,996
Board of Education	1,660
Administration	89,074
Fiscal Services	11,998
Business	7,986
Operations & Maintenance of Plant	52,433
Pupil Transportation	199,347
Operation of Non-Instructional Services	474
Extracurricular Activities	88,576
Total Depreciation Expense	<u>\$3,251,071</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2005:

Historical Cost:

Class	June 30, 2004	Additions	Deletions	June 30, 2005
Furniture and Equipment	\$1,053,528	\$1,644	(\$10,875)	\$1,044,297
Total Cost	<u>\$1,053,528</u>	<u>\$1,644</u>	<u>(\$10,875)</u>	<u>\$1,044,297</u>

Accumulated Depreciation:

Class	June 30, 2004	Additions	Deletions	June 30, 2005
Furniture and Equipment	(\$564,336)	(\$48,874)	\$9,188	(\$604,022)
Total Depreciation	<u>(\$564,336)</u>	<u>(\$48,874)</u>	<u>\$9,188</u>	<u>(\$604,022)</u>

<i>Net Value:</i>	<u>\$489,192</u>	<u>(\$47,230)</u>	<u>(\$1,687)</u>	<u>\$440,275</u>
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C. Component Unit

Summary by category of changes in capital assets at June 30, 2005:

Historical Cost:

Class	June 30, 2004	Additions	Deletions	June 30, 2005
<i>Capital Assets being depreciated:</i>				
Furniture, Fixtures and Equipment	\$64,919	\$3,291	\$0	\$68,210
Total Cost	<u>\$64,919</u>	<u>\$3,291</u>	<u>\$0</u>	<u>\$68,210</u>

Accumulated Depreciation:

Class	June 30, 2004	Additions	Deletions	June 30, 2005
Furniture, Fixtures and Equipment	(\$6,234)	(\$13,607)	\$0	(\$19,841)
Total Depreciation	<u>(\$6,234)</u>	<u>(\$13,607)</u>	<u>\$0</u>	<u>(\$19,841)</u>
<i>Net Value:</i>	<u>\$58,685</u>			<u>\$48,369</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 11 - 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 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, 2005, 10.57% was allocated to fund the pension benefit and 3.43% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2005, 2004, and 2003 were \$884,220, \$853,848, and \$727,213, 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 2005 employer contribution rate that was used to fund health care for the year 2005 was 3.43%. 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 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount contributed to fund health care benefits, including the surcharge amounted to \$308,854.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 11- DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ended June 30, 2005 were \$178,221,113. 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, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

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

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

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090 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 into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 11- DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS (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, 2005, 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, 2005, 2004, and 2003 were \$2,807,784, \$2,666,400, and \$2,296,370, 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, 2005, the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Stabilization Fund, which amounted to \$200,556 for the District. The balance of the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, the net health care costs paid by STRS were \$254,780,000. There were 115,395 eligible benefit recipients.

NOTE 12 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2005, was as follows:

Note Payable		Balance			Balance June 30, 2005
		June 30, 2004	Additions	Deletions	
Bond Anticipation Note	1.87%	\$3,400,000	\$0	(\$3,400,000)	\$0
Bond Anticipation Note	3.75%	0	3,400,000	0	3,400,000
Energy Conservation Note	3.63%	0	895,000	0	895,000
		<u>\$3,400,000</u>	<u>\$4,295,000</u>	<u>(\$3,400,000)</u>	<u>\$4,295,000</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 13 - 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, 2005 is as follows:

		Balance			Balance	Due Within
		June 30, 2004	Issued	(Retired)	June 30, 2005	One Year
Governmental Activities						
(General Obligation Bonds)						
New High School	7.13%	\$209,999	\$0	\$0	\$209,999	\$87,545
Refunding New Elementary	3.4-5.15%	7,557,973	0	(105,000)	7,452,973	175,000
Fifth/Sixth Elementary	5.79%	1,634,222	0	(20,000)	1,614,222	25,000
New Elementary and Middle School	4.35-5.375%	13,609,995	0	(50,000)	13,559,995	70,000
Refunding Fifth/Sixth Elementary	3.60%	12,854,974		(195,000)	12,659,974	100,000
Refunding New High School	1.2-14.16%	2,304,999	0	(880,000)	1,424,999	45,000
		<u>38,172,162</u>	<u>0</u>	<u>(1,250,000)</u>	<u>36,922,162</u>	<u>502,545</u>
Interest Accretion		2,911,818	691,467	0	3,603,285	707,455
Total General Obligation Bonds		41,083,980	691,467	(1,250,000)	40,525,447	1,210,000
Energy Conservation Project	3.4-4.85%	840,000	0	(55,000)	785,000	55,000
Compensated Absences		2,479,234	626,459	(630,551)	2,475,142	164,205
Capital Leases Payable		1,966,000	43,398,539	(69,000)	45,295,539	71,000
Total Governmental Activities		<u>\$46,369,214</u>	<u>\$44,716,465</u>	<u>(\$2,004,551)</u>	<u>\$89,081,128</u>	<u>\$1,500,205</u>
Business-Type Activities						
Compensated Absences		\$38,006	\$25,048	(\$16,090)	\$46,964	\$0
Total Business-Type Activities		<u>\$38,006</u>	<u>\$25,048</u>	<u>(\$16,090)</u>	<u>\$46,964</u>	<u>\$0</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2005, follows:

Years	General Obligation Bonds		Energy Conservation Project		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$502,545	\$2,413,344	\$55,000	\$39,390	\$557,545	\$2,452,734
2007	719,165	2,367,154	55,000	37,218	774,165	2,404,372
2008	813,289	2,295,952	60,000	34,272	873,289	2,330,224
2009	1,590,000	1,615,929	65,000	30,429	1,655,000	1,646,358
2010	1,685,000	1,554,179	65,000	26,431	1,750,000	1,580,610
2011-2015	4,236,241	11,794,623	395,000	72,114	4,631,241	11,866,737
2016-2020	6,153,968	12,087,043	90,000	2,183	6,243,968	12,089,226
2021-2025	9,606,954	7,986,485	0	0	9,606,954	7,986,485
2026-2030	11,615,000	1,454,484	0	0	11,615,000	1,454,484
Totals	<u>\$36,922,162</u>	<u>\$43,569,193</u>	<u>\$785,000</u>	<u>\$242,037</u>	<u>\$37,707,162</u>	<u>\$43,811,230</u>

B. Defeased Debt

In December 1993, the District defeased \$6,165,000 of General Obligation Bonds for the High School Building, dated April 1, 1990, through the issuance of \$6,084,999 of General Obligation Bonds for the High School Building. The net proceeds of the 1993 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$3,705,000 at June 30, 2005, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2001, the District defeased \$7,669,538 of General Obligation Bonds for the New Elementary Additions, dated October 1, 1995, through the issuance of \$7,667,973 of General Obligation Bonds for the New Elementary Additions. The net proceeds of the 2001 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$7,379,538 at June 30, 2005, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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

B. Defeased Debt (Continued)

In March 2002, the District defeased \$13,335,000 of General Obligation Bonds for the Fifth/Sixth Elementary Building, dated March 1, 2000, through the issuance of \$13,334,974 of General Obligation Bonds for the Fifth/Sixth Elementary Building. The net proceeds of the 2002 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,335,000 at June 30, 2005, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

NOTE 14 - 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 District received \$43,398,539 of cash proceeds for various District capital projects. As of June 30, 2005, there were significant unspent proceeds remaining. Projects will be capitalized in the future as the proceeds are expended.

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, 2005:

Year Ending June 30,	Capital Leases
2006	\$2,324,524
2007	2,324,716
2008	3,280,122
2009	3,279,049
2010	3,275,269
2011-2015	16,322,033
2016-2020	16,278,956
20021-2025	15,896,866
20026-2030	15,350,583
2031	3,036,637
Minimum Lease Payments	81,368,755
Less: Amount representing interest at the District's incremental borrowing rate of interest	(36,073,216)
Present Value of minimum lease payments	<u>\$45,295,539</u>

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2005 the District contracted with several different insurance providers for various insurance coverages, as follows:

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

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

The District provides dental and vision benefits to employees and their eligible dependents through a self-insured program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) are available to pay claims and administrative costs. The plan is administered by a third party administrator, Guardian Life Insurance Company which monitors all claim payments. Excess loss coverage, becomes effective after \$90,000 per year per specific claim. There is a lifetime maximum coverage per person of \$2,000,000. As of July 1, 2004, the District was no longer self-insured for group health benefits and provides benefits through commercial insurance. As of July 1, 2005, the District is no longer self-insured for dental and vision benefits and provides benefits through commercial coverage.

The claims liability of \$48,377 reported in the fund at June 30, 2005 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2005 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2004	\$543,985	5,344,157	(5,024,451)	\$863,691
2005	863,691	622,047	(1,437,361)	48,377

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 16 – 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, 2005, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2004	\$0	\$0	\$0
Current Year Set-Aside Requirement	681,096	681,096	1,362,192
Qualifying Disbursements	<u>(792,100)</u>	<u>(2,238,981)</u>	<u>(3,031,081)</u>
Total	<u>(\$111,004)</u>	<u>(\$1,557,885)</u>	<u>(\$1,668,889)</u>
Cash Balance Carried Forward to FY 2006	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

NOTE 17 - CONTINGENCIES

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

NOTE 18 – SUBSEQUENT EVENTS

In August 2005, a bond issue was passed by a vote of the people in the amount of \$66,000,000 including a 5.2 mil tax levy for the payment on principal and interest thereon. In September 2005, the District issued \$40,284,966 of General Obligation Bonds to advance refund a capital lease obligation. In October 2005 and January 2006, the District issued \$15,000,000 and \$10,000,000 of Bond Anticipation Notes, respectively for the construction of new schools, additions; and renovations to existing schools and furnishings and equipment.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

NOTE 19 – MANAGEMENT’S PLAN/FINANCIAL CONDITION

As of June 30, 2005, the District has a GAAP fund balance deficit of (\$358,570) for the General Fund. This is a net change of \$1,712,094 from the previous year. The deficit balance reported is due to the recognition of certain liabilities and related expenditures. Actual revenues for 2005 include an operating levy renewal and a twenty-nine percent increase in personal property taxes. The increase in personal property taxes is due to a Board of Tax appeals decision to include previously excluded equipment and machinery as tangible taxable personal property. Projected revenues and expenditures for fiscal year 2006 are consistent with fiscal year 2005 indicating that the fund balance deficit could be subsequently alleviated.

The Enterprise and Internal Service Funds have a net loss of (\$209,638) and a net gain of \$2,044, respectively. The Enterprise Fund net loss is due to operating losses for the Food Service program. The Food Service Fund received an operating transfer of \$600,000 from the General Fund to alleviate operating losses. However, projected revenues and expenses for fiscal year 2006 indicate that these financial difficulties could be alleviated during fiscal year 2006. During fiscal years 2006, 2005 and 2004, the District has reduced staffing for the foodservice program, implemented new menus to increase participation, and has increased foodservice prices to reduce expenses and increase revenues. The District has also employed a new Director to focus on the operations of the foodservice program and implement procedures to increase revenues and reduce expenses. The net gain within the Internal Service Fund was not sufficient to reduce a beginning net asset deficit of (\$979,768) and received a \$1,035,000 operating transfer from the General Fund to avoid deficit net assets for fiscal year 2005. During fiscal year 2005, the District converted from medical self-insurance to a traditional health insurance plan. As of July 1, 2005, the District also converted vision and dental self-insurance to a traditional plan. This decision is intended to help reduce costs for all funds.

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**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/</u> Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$ -	\$ 105,736	\$ -	\$ 105,736
School Breakfast	045476-05PU/RE-2004/2005	10.553	29,967	-	32,218	-
National School Lunch Program	045476-LLP4-2004/2005 045476-VGS1-2003	10.555	304,591	-	305,677	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>334,558</u>	<u>105,736</u>	<u>337,895</u>	<u>105,736</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Fund for the Improvement of Education_Carol M. White Physical Fitness	N/A	84.215F	132,200	-	131,931	-
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045476-C1S1/SD-2004/2005	84.010	203,999	-	221,330	-
Special Education Cluster:						
Special Education_Grants to States	045476-6BSA-2004-P 045476-6BSA/F-2004/2005	84.027	703,113	-	753,381	-
Special Education_Preschool Grant	045476-PGS1-2005	84.173	11,441	-	11,441	-
Total Special Education Cluster			<u>714,554</u>	<u>-</u>	<u>764,822</u>	<u>-</u>
Safe and Drug-Free Schools and Communities_State Grants	045476-DRS1-2004/2005	84.186	15,122	-	15,490	-
Innovative Educational Program Strategies	045476-C2S1-2005	84.298	17,312	-	22,039	-
Education Technology State Grants	045476-TJS1-2005	84.318	5,210	-	5,333	-
Comprehensive School Reform Demonstration	045476-RFS3-2003	84.332	10,696	-	19,969	-
Improving Teacher Quality State Grants	045476-TRS1-2005	84.367	130,623	-	145,435	-
Total U.S. Department of Education			<u>1,229,716</u>	<u>-</u>	<u>1,326,349</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Public Assistance Grants	FEMA-3198-EM-159-0043C	97.036	4,659	-	4,659	-
<u>United States Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program		93.778	20,897	-	-	-
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,589,830</u>	<u>\$ 105,736</u>	<u>\$ 1,668,903</u>	<u>\$ 105,736</u>

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

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Marysville Exempted Village School District, Union County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 19, 2006, which was qualified since certain information related to Internal Service Fund expenses and liabilities reported with the governmental activities and remaining fund information was not available for audit and wherein we noted the District implemented Government Accounting Standards Board Technical Bulletin 2004-02. Except for the qualification matter, 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001, 2005-002, and 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the District's management dated January 19, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Marysville Exempted Village School District

Union County

Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated January 19, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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

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

Betty Montgomery

Auditor of State

January 19, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Marysville Exempted Village School District, Union County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2005. The Summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, 2005. In a separate letter to the District's management dated January 19, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Betty Montgomery
Auditor of State

January 19, 2006

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified over Self Insurance expenses and liabilities.
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under ' .510?	No
(d)(1)(vii)	Major Programs (list):	Title I – Grants to Local Educational Agencies, CFDA # 84.010; Nutrition Cluster, CFDA # 10.550, 10.553, and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)

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

Finding Number	2005-001
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Self-Insurance Claims

The District has delegated employees' dental and vision claims processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that dental and vision insurance claims have not been completely and accurately processed in accordance with the dental and vision insurance contract.

We recommend the District help assure the completeness and accuracy (including eligibility and allowability) of dental and vision claims processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the District with reasonable assurance that dental and vision claim transactions conform to the contract.

We recommend the District require a Type Two SAS 70 report in its contract with the third-party administrator. The District should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the District with a Type Two SAS 70 report, we recommend the District contract with a third-party administrator that will provide such a report.

Client Response:

In reference to Finding Number 2005-001, Self-Insurance Claims, the District has changed from self insured for dental and vision, to fully-insured. Therefore the requirement for a SAS No.70 will no longer exist. This change is in effect as of July 1, 2005.

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)

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

Finding Number	2005-002
-----------------------	-----------------

Capital Asset Disposals

During fiscal year 2005 the District reported the disposal of approximately 575 pieces of computer hardware which had an aggregate historical cost of \$1,104,000 and accumulated depreciation expense of \$975,000. The majority of the hardware disposed of consisted of computers that had reached the end of their useful lives and as a result were replaced by new equipment purchased by the District. The District's Technology Director oversees the rotation process of ordering new equipment as old equipment becomes obsolete. However, the Technology Director did not maintain accurate records of the inventory tag numbers of the equipment set to be replaced, or maintain accurate records of equipment that had been disposed of prior to the current replacement rotation. As a result, the tag numbers listed by the Technology Director representing computers to be disposed of did not correspond to the tag numbers listed in the detailed inventory records maintained by the District. These discrepancies prompted the District to perform a physical inventory of all computer equipment as a means to verify the accuracy of the inventory records. These inventory procedures resulted in a greater number of computers being removed from the inventory records than were related to the current replacement rotation. No documentation exists to corroborate these additional disposals.

We recommend that the District implement procedures to properly account for the acquisition and disposal of all technology equipment within their inventory system. All equipment purchased should be directly received to the District's Receiving Center. Receiving Center personnel should check new equipment in, tag the equipment, and enter the equipment data in to the EIS inventory system prior to distributing the equipment to the designated locations. The rotation procedures to replace any outdated equipment should include the submission of a detailed listing of the tag numbers of the equipment set to be disposed and this data should be physically verified prior to removing the outdated equipment. Disposal forms should be completed and these forms should be verified and approved by the appropriate management personnel. Further, an annual physical inventory of all technology equipment should be performed, and this inventory should be checked against the EIS inventory records maintained by the District, and discrepancies should be investigated promptly. The District should maintain adequate documentation to support all equipment disposals, including the date of the disposal, the reason for the disposal, and the manner of disposition.

Client Response:

In reference to Finding Number 2005-002, Capital Asset Disposal, the District had just changed to the current system of asset inventory in fiscal year 2005. Procedures were put into place to correct this situation following its discovery in 2005. These procedures include having the Technology Director and or a receiving center/fiscal employee present during the delivery of the new computers and removal of the old computers. As part of the process, tag numbers for the computers that are to be removed as provided by the Technology Director will be physically verified by the receiving center/fiscal personnel and reconciled to the EIS system at the time the disposition is taking place. The receiving center personnel will tag all new computers. After the verification and tagging process is complete the receiving center personnel will enter the information into the EIS system during the annual inventory updating process. These procedures were followed in the summer of 2005 (fiscal year 2006).

MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)

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

Finding Number	2005-003
-----------------------	-----------------

Latchkey Tuition Cash Collection Procedures

The District's Latchkey child-care program has no formal policy on the recording or reconciliation of cash receipts collected for tuition. Duplicate pre-numbered receipts are not issued for cash collected, and no cash reconciliation procedures are performed. Although an accounting software program is used to post individual tuition payments received, the department does not generate a daily cash collection report from their accounting software system summarizing the total daily amount of cash collected and recorded. As a result, no daily reconciliation is performed between the total receipts recorded in the accounting system and the total cash receipts deposited to the bank. Further, the Latchkey department does not reconcile the total receipts recorded in their accounting system to the total receipts posted to the School District's USAS revenue ledgers. These weaknesses in the cash collection process could result in money being diverted, or lost, without management's knowledge.

We recommend that the Latchkey department generate and maintain a daily cash collection report which should be used to reconcile each day's cash collections with the total cash deposited to the bank. This daily cash collection report should be reconciled and signed by the Latchkey Accountant, and should be verified by an individual independent of the cash collection process; such as the Latchkey Coordinator. A copy of this daily reconciliation should accompany the validated deposit slip and other supporting documentation submitted to the District's Treasurer's office for posting to the District's ledgers. In addition, pre-numbered duplicate receipts should be issued for all tuition receipts collected. A record of these pre-numbered receipts should be maintained by the Latchkey department throughout the fiscal year to gain assurance that all receipts collected have been properly posted to the accounting system. Further, the Latchkey department should reconcile total daily receipts with the daily deposit for each day the department is open for business. Discrepancies should be investigated promptly to gain assurance that all receipts collected are deposited in the financial institution, as appropriate.

We also recommend that the District establish written policies and procedures regarding the collection of cash at the Latchkey department to gain assurance that all staff members are aware of the proper procedures which should be followed by those individuals responsible for cash collections. By implementing these recommendations, the District can reduce the overall risk of fraud or misappropriation of assets, which might otherwise go undetected by management.

Client Response:

In reference to Finding Number 2005-003, Latchkey Tuition Cash Collection Procedures, the District has scheduled a meeting date to discuss procedures to correct this within this current audit cycle (fiscal year 2006).

**MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Noncompliance with Auditor of State Bulletin 97-003 and Ohio Revised Code 5705.10, advance of funds.	Yes	
2004-002	Ohio Revised Code 5705.10, negative fund balances.	No	Partially corrected with operating transfers from the General Fund. Citation issued in current year management letter
2004-003	Recommend monitoring of data accumulated in District inventory system used to report capital assets and related depreciation expense.	Yes	



**Auditor of State
Betty Montgomery**

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MARYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 28, 2006**