

**MADEIRA CITY SCHOOL DISTRICT**

**Basic Financial Statements**

**June 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Madeira City School District  
7465 Loannes Drive  
Madeira, Ohio 45243

We have reviewed the *Independent Auditor's Report* of the Madeira City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 9, 2007

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December 18, 2006

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Madeira City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madeira City School District, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Certified Public Accountants

**MADEIRA CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)**

The discussion and analysis of Madeira City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets decreased \$240,451.
- General revenues accounted for \$15,613,395 in revenue or 88.9% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,948,006 or 11.1% of total revenues of \$17,561,401.
- Total assets of governmental activities decreased by \$3,086,565 as taxes receivable decreased by \$1,295,884, capital assets increased by \$20,063,364, while cash decreased by \$21,876,277.
- The District had \$17,801,852 in expenses related to governmental activities; \$1,948,006 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,613,395 were also used to provide for these programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General, Debt Service and Building Funds are the major funds of the District.

## **Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2006?” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District presents:

- Governmental Activities – Most of the District’s programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

## **Fund Financial Statements**

The analysis of the District’s major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District’s major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

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



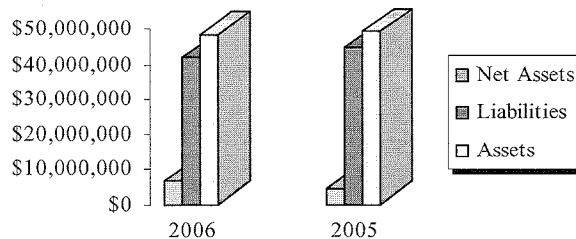
## The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2006 compared to 2005:

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current Assets	\$17,094,152	\$40,244,081
Capital Assets	31,183,111	11,119,747
Total Assets	48,277,263	51,363,828
<b>Liabilities</b>		
Long-Term Liabilities	32,858,326	33,051,910
Other Liabilities	9,070,394	11,722,924
Total Liabilities	41,928,720	44,774,834
<b>Net Assets</b>		
<b>Invested in Capital</b>		
Assets Net of Debt	277,365	101,912
Restricted	2,420,537	1,446,703
Unrestricted	3,650,641	5,040,379
Total Net Assets	\$6,348,543	\$6,588,994



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$6,348,543.

At year-end, capital assets represented 65% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2006, was \$277,365. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,420,537, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Table 2 shows the change in net assets for fiscal years 2006 and 2005.

Table 2  
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,053,915	\$991,276
Operating Grants	874,711	689,023
Capital Grants	19,380	29,892
General Revenue:		
Property Taxes	10,317,732	11,470,447
Grants and Entitlements	4,146,364	4,150,968
Other	1,149,299	822,369
Total Revenues	<u>17,561,401</u>	<u>18,153,975</u>
Program Expenses:		
Instruction	8,967,674	8,806,145
Support Services:		
Pupil and Instructional Staff	1,744,698	1,706,641
General and School Administrative, Fiscal and Business	1,563,270	1,422,087
Operations and Maintenance	1,277,748	1,200,711
Pupil Transportation	859,899	843,318
Central	302,689	268,060
Operation of Non-Instructional Services	953,310	1,040,215
Extracurricular Activities	576,640	555,049
Interest and Fiscal Charges	1,555,924	1,144,402
Total Expenses	<u>17,801,852</u>	<u>16,986,628</u>
Change in Net Assets	(240,451)	1,167,347
Beginning Net Assets	<u>6,588,994</u>	<u>5,421,647</u>
Ending Net Assets	<u>\$6,348,543</u>	<u>\$6,588,994</u>

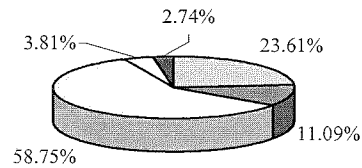
**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes, and grants and entitlements comprised 82.4 of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a 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.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 59% of revenue for governmental activities for the District in fiscal year 2006.

Revenue Sources	2006	Percent of Total
General Grants	\$4,146,364	23.61%
Program Revenues	1,948,006	11.09%
General Tax Revenues	10,317,732	58.75%
Investment Earnings	668,487	3.81%
Other Revenues	480,812	2.74%
	<u>\$17,561,401</u>	<u>100.00%</u>



Instruction comprises 51% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses, including interest expense were 17%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District had a large decrease in the amount of taxes revenue received, due to the large fluctuation in the amount of taxes available for advance provided by the county auditor.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$8,967,674	\$8,806,145	(\$8,417,610)	(\$8,503,106)
Support Services:				
Pupil and Instructional Staff	1,744,698	1,706,641	(1,611,087)	(1,609,766)
General and School Administrative, Fiscal and Business	1,563,270	1,422,087	(1,548,351)	(1,408,168)
Operations and Maintenance	1,277,748	1,200,711	(1,277,748)	(1,200,711)
Pupil Transportation	859,899	843,318	(821,540)	(824,556)
Central	302,689	268,060	(288,613)	(261,793)
Operation of Non-Instructional Services	953,310	1,040,215	(33,607)	10,213
Extracurricular Activities	576,640	555,049	(299,366)	(334,148)
Interest and Fiscal Charges	1,555,924	1,144,402	(1,555,924)	(1,144,402)
Total Expenses	<u>\$17,801,852</u>	<u>\$16,986,628</u>	<u>(\$15,853,846)</u>	<u>(\$15,276,437)</u>

## **The District's Funds**

The District has three major governmental funds: the General Fund, Debt Service Fund and the Building Fund. Assets of the general fund comprised \$10,713,952 (63%), the debt service fund comprised \$2,940,323 (17%) and the building fund comprised \$2,898,268 (17%) of the total \$17,094,152 governmental funds assets.

**General Fund:** Fund balance at June 30, 2006 was \$3,913,113 a decrease in fund balance of \$1,208,154 from 2005. The primary reason for the decrease in fund balance was a decrease in tax revenue in 2006 compared to 2005.

**Debt Service Fund:** Fund balance at June 30, 2006 was \$1,756,406 including \$921,406 of unreserved balance. The primary reasons for the increase in fund balance was an increase in tax and intergovernmental revenues in 2006 compared to 2005.

**Building Fund:** Fund balance at June 30, 2006 was \$2,898,268 including (\$1,100,457) of unreserved balance. The fund balance decreased from 2005 due to payments of \$20,223,424 for construction of buildings.

## **General Fund Budgeting Highlights**

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

During the course of fiscal 2006, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$12,534,531, compared to final budget estimates of \$12,715,158. The difference between the original budget basis and final budget was \$180,627, which was mostly due to increases in taxes and intergovernmental revenues.

The District's ending unobligated cash balance was \$2,459,339.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2006, the District had \$31,183,111 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$963,381	\$963,381
Construction in Progress	26,566,875	6,343,451
Buildings and Improvements	3,086,484	3,224,820
Equipment	566,371	588,095
Total Net Capital Assets	<u>\$31,183,111</u>	<u>\$11,119,747</u>

The increase in capital assets is due to the construction of the new buildings.

See the notes to the basic financial statements for further details on the District's capital assets.

### Debt

At June 30, 2006, the District had \$32,338,871 in debt outstanding, \$709,014 due within one year. Table 5 summarizes debt outstanding.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities	
	2006	2005
General Obligation Bonds	\$4,140,000	\$4,475,000
Note Payable	151,932	199,384
School Improvement:		
Current Interest Bonds	27,630,000	27,635,000
Capital Appreciation Bonds	416,939	365,000
Total Bonds and Notes	<u>\$32,338,871</u>	<u>\$32,674,384</u>

See the notes to the basic financial statements for further details on the District's long-term obligations.

## **For the Future**

A challenge facing the District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

## **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 Susan Crabill, Treasurer at Madeira City School District, 7465 Loannes Drive, Cincinnati, Ohio 45243. Or E-mail at [scrabill@madeiracityschools.org](mailto:scrabill@madeiracityschools.org).

Madeira City School District  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$6,001,271
Restricted Cash and Investments	555,292
Receivables:	
Taxes	10,483,037
Accounts	11,000
Intergovernmental	43,552
Nondepreciable Capital Assets	27,530,256
Depreciable Capital Assets, Net	<u>3,652,855</u>
 Total Assets	 <u>48,277,263</u>
Liabilities:	
Accounts Payable	14,214
Accrued Wages and Benefits	1,726,214
Retainage Payable	555,292
Accrued Interest Payable	130,209
Contracts Payable	580,811
Deferred Revenue	6,063,654
Long-Term Liabilities:	
Due Within One Year	765,896
Due In More Than One Year	<u>32,092,430</u>
 Total Liabilities	 <u>41,928,720</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	277,365
Restricted for:	
Special Revenue	301,654
Debt Service	1,756,406
Capital Projects	362,477
Unrestricted	<u>3,650,641</u>
 Total Net Assets	 <u>\$6,348,543</u>

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$6,955,284	\$28,455	\$60,550	\$0	(\$6,866,279)
Special	1,955,835	0	456,553	0	(1,499,282)
Vocational	6,156	0	4,506	0	(1,650)
Other	50,399	0	0	0	(50,399)
Support Services:					
Pupil	996,410	47,967	3,585	0	(944,858)
Instructional Staff	748,288	60,971	21,088	0	(666,229)
General Administration	30,483	0	0	0	(30,483)
School Administration	1,031,861	14,919	0	0	(1,016,942)
Fiscal	443,116	0	0	0	(443,116)
Business	57,810	0	0	0	(57,810)
Operations and Maintenance	1,277,748	0	0	0	(1,277,748)
Pupil Transportation	859,899	0	18,979	19,380	(821,540)
Central	302,689	0	14,076	0	(288,613)
Operation of Non-Instructional Services	953,310	624,329	295,374	0	(33,607)
Extracurricular Activities	576,640	277,274	0	0	(299,366)
Interest and Fiscal Charges	1,555,924	0	0	0	(1,555,924)
Totals	<u>\$17,801,852</u>	<u>\$1,053,915</u>	<u>\$874,711</u>	<u>\$19,380</u>	<u>(\$15,853,846)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	8,298,965
Debt Service Purposes	2,018,767
Grants and Entitlements not Restricted to Specific Program	4,146,364
Unrestricted Contributions	199
Investment Earnings	668,487
Other Revenues	480,613

Total General Revenues 15,613,395

Change in Net Assets (240,451)

Net Assets Beginning of Year 6,588,994

Net Assets End of Year \$6,348,543

See accompanying notes to the basic financial statements.



Madeira City School District  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$2,249,832	\$921,406	\$2,342,976	\$487,057	\$6,001,271
Restricted Cash and Investments	0	0	555,292	0	555,292
<b>Receivables:</b>					
Taxes	8,464,120	2,018,917	0	0	10,483,037
Accounts	0	0	0	11,000	11,000
Intergovernmental	0	0	0	43,552	43,552
<b>Total Assets</b>	<b>10,713,952</b>	<b>2,940,323</b>	<b>2,898,268</b>	<b>541,609</b>	<b>17,094,152</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	10,573	0	238	3,403	14,214
Accrued Wages and Benefits	1,592,739	0	0	133,475	1,726,214
Compensated Absences	18,407	0	0	0	18,407
Retainage Payable	0	0	555,292	0	555,292
Contracts Payable	0	0	580,811	0	580,811
Deferred Revenue	5,179,120	1,183,917	0	26,141	6,389,178
<b>Total Liabilities</b>	<b>6,800,839</b>	<b>1,183,917</b>	<b>1,136,341</b>	<b>163,019</b>	<b>9,284,116</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	15,038	0	2,862,384	98,841	2,976,263
Reserved for Property Tax Advances	3,285,000	835,000	0	0	4,120,000
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	613,075	0	0	0	613,075
Special Revenue Funds	0	0	0	246,549	246,549
Debt Service Funds	0	921,406	0	0	921,406
Capital Projects Funds	0	0	(1,100,457)	33,200	(1,067,257)
<b>Total Fund Balances</b>	<b>3,913,113</b>	<b>1,756,406</b>	<b>1,761,927</b>	<b>378,590</b>	<b>7,810,036</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$10,713,952</b>	<b>\$2,940,323</b>	<b>\$2,898,268</b>	<b>\$541,609</b>	<b>\$17,094,152</b>

See accompanying notes to the basic financial statements.

Madeira City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2006

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Total Governmental Fund Balance		\$7,810,036
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		31,183,111
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	299,383	
Intergovernmental	<u>26,141</u>	
		325,524
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(130,209)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(501,048)</u>	
		(501,048)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(32,338,871)</u>
Net Assets of Governmental Activities		<u>\$6,348,543</u>

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$8,293,421	\$2,015,499	\$0	\$0	\$10,308,920
Tuition and Fees	3,640	0	0	0	3,640
Investment Earnings	163,664	26,856	474,049	3,918	668,487
Intergovernmental	4,128,458	249,688	0	664,549	5,042,695
Extracurricular Activities	60,971	0	0	325,264	386,235
Charges for Services	0	0	0	624,329	624,329
Other Revenues	89,422	0	3,200	427,867	520,489
<b>Total Revenues</b>	<b>12,739,576</b>	<b>2,292,043</b>	<b>477,249</b>	<b>2,045,927</b>	<b>17,554,795</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	6,538,312	0	0	36,591	6,574,903
Special	1,675,662	0	0	258,398	1,934,060
Vocational	0	0	0	6,156	6,156
Other	44,004	0	0	0	44,004
<b>Support Services:</b>					
Pupil	890,264	0	0	64,536	954,800
Instructional Staff	411,231	0	0	330,692	741,923
General Administration	30,483	0	0	0	30,483
School Administration	1,035,092	0	0	0	1,035,092
Fiscal	415,917	25,381	0	0	441,298
Business	50,007	0	0	0	50,007
Operations and Maintenance	1,271,352	0	0	0	1,271,352
Pupil Transportation	859,828	0	0	0	859,828
Central	269,840	0	0	16,093	285,933
Operation of Non-Instructional Services	70,445	0	0	930,938	1,001,383
Extracurricular Activities	322,914	0	0	247,122	570,036
Capital Outlay	0	0	20,223,424	22,815	20,246,239
<b>Debt Service:</b>					
Principal Retirement	47,452	340,000	0	0	387,452
Interest and Fiscal Charges	6,560	1,510,571	0	0	1,517,131
<b>Total Expenditures</b>	<b>13,939,363</b>	<b>1,875,952</b>	<b>20,223,424</b>	<b>1,913,341</b>	<b>37,952,080</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,199,787)</b>	<b>416,091</b>	<b>(19,746,175)</b>	<b>132,586</b>	<b>(20,397,285)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	33	0	0	0	33
Transfers In	0	0	0	8,400	8,400
Transfers (Out)	(8,400)	0	0	0	(8,400)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,367)</b>	<b>0</b>	<b>0</b>	<b>8,400</b>	<b>33</b>
<b>Net Change in Fund Balance</b>	<b>(1,208,154)</b>	<b>416,091</b>	<b>(19,746,175)</b>	<b>140,986</b>	<b>(20,397,252)</b>
<b>Fund Balance Beginning of Year</b>	<b>5,121,267</b>	<b>1,340,315</b>	<b>21,508,102</b>	<b>237,604</b>	<b>28,207,288</b>
<b>Fund Balance End of Year</b>	<b>\$3,913,113</b>	<b>\$1,756,406</b>	<b>\$1,761,927</b>	<b>\$378,590</b>	<b>\$7,810,036</b>

See accompanying notes to the basic financial statements.

Madeira City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2006

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Net Change in Fund Balance - Total Governmental Funds (\$20,397,252)

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

Governmental funds report capital asset additions 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 of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	20,340,382	
Depreciation Expense	<u>(277,018)</u>	20,063,364

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

Delinquent Property Taxes	8,812	
Intergovernmental	<u>(2,239)</u>	6,573

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 387,452

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. 13,146

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 governmental funds.

Compensated Absences	(261,795)	
Bond Accretion	<u>(51,939)</u>	<u>(313,734)</u>

Change in Net Assets of Governmental Activities (\$240,451)

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$1,000</u>	<u>\$33,179</u>
Total Assets	<u>1,000</u>	<u>\$33,179</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>33,179</u>
Total Liabilities	<u>0</u>	<u>\$33,179</u>
Net Assets:		
Held in Trust	<u>1,000</u>	
Total Net Assets	<u>\$1,000</u>	

See accompanying notes to the basic financial statements.

Madeira City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2006

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	<u>Private Purpose Trust</u>
Additions:	
Donations	<u>\$750</u>
Total Additions	<u>750</u>
Deductions:	
Scholarships	<u>0</u>
Total Deductions	<u>0</u>
Change in Net Assets	750
Net Assets Beginning of Year	<u>250</u>
Net Assets End of Year	<u><u>\$1,000</u></u>

See accompanying notes to the basic financial statements.

**MADEIRA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2006**

**1. DESCRIPTION OF THE DISTRICT**

The District was chartered by the Ohio State Legislature. In 1949 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 60 non-certificated personnel and 109 certificated full time teaching and 7 administrative personnel to provide services to students and other community members.

The District is the 2<sup>nd</sup> smallest in Hamilton County in terms of enrollment. It currently operates 1 elementary school (grades K-4), 1 middle school (grades 5-7), 1 junior/senior high school (grades 8-12).

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The following activities are included within the reporting entity:

*Parochial Schools*

Within the School District boundaries, St. Gertrude Elementary School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of this State money by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four organizations, of which three are defined as jointly governed organizations, and the fourth as an insurance purchasing pool. These organizations include the Unified Purchasing Cooperative of Ohio River Valley, Great Oaks Joint Vocational School, Hamilton/Clermont Cooperative Association/Computer Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues 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 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 governmental function is self-financing or draws from the general revenues of the District.



## **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.

## **FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

### **Governmental Funds**

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

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

Debt Service Fund -- The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Building Capital Projects Fund - The building fund is used to account for all transactions related to all special bond funds in the District. Proceeds from the sale of bonds, except premium and accrued interest, are paid into this fund.

## **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has a private purpose trust which accounts for scholarship programs for students. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

## **BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

### 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

#### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

#### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

### **EQUITY IN POOLED CASH AND INVESTMENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$163,664.

**INVENTORY**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

**CAPITAL ASSETS**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and Improvements	20 years
Equipment	5 - 20 years

**COMPENSATED ABSENCES**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liabilities are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	15-20 days for each service year depending on length of service.	10-15 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	15-20 days	10-15 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
Maximum Accumulation	220	220	220
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

## 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

## **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## **ESTIMATES**

The preparation of 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 may differ from those estimates.

## **RESTRICTED ASSETS**

Restricted assets in the building fund represent cash and investments for retainage held for vendors.

### **3. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

## Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$4,710,453 of the District's bank balance of \$4,810,453 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Federal Home Loan Bank	\$460,078	0.30
Federal Home Loan Mortgage	492,869	0.04
Freddie Mac	54,822	1.27
Fannie Mae	64,687	0.54
Money Market Fund	734,719	0.00
Total Fair Value	<u>\$1,807,175</u>	
Portfolio Weighted Average Maturity		0.14

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank, Federal Home Loan Mortgage, Freddie Mac, Fannie Mae and Money Market Funds were rated AAA by Standard & Poor's and Fitch ratings and Aaa by Moody's Investment Service.

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 25% of the District's investments in Federal Home Loan Bank, 27% in Federal Home Loan Mortgage, 3% in Freddie Mac, 4% in Fannie Mae and 41% in Money Market Funds.



Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

#### 4. PROPERTY TAXES

Real property taxes collected in 2006 were levied in April on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2006, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$3,285,000 for the General Fund and \$835,000 for the Debt Service Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$285,928,590
Public Utility Personal	4,466,650
Tangible Personal Property	<u>4,314,000</u>
Total	<u>\$294,709,240</u>

## 5. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$963,381	\$0	\$0	\$963,381
Construction in Progress	6,343,451	20,223,424	0	26,566,875
Total Capital Assets, not being depreciated	7,306,832	20,223,424	0	27,530,256
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,783,463	0	0	6,783,463
Equipment	2,096,566	116,958	0	2,213,524
<i>Total Capital Assets, being depreciated:</i>	<u>8,880,029</u>	<u>116,958</u>	<u>0</u>	<u>8,996,987</u>
Totals at Historical Cost	<u>16,186,861</u>	<u>20,340,382</u>	<u>0</u>	<u>36,527,243</u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,558,643	138,336	0	3,696,979
Equipment	1,508,471	138,682	0	1,647,153
Total Accumulated Depreciation	<u>5,067,114</u>	<u>277,018</u>	<u>0</u>	<u>5,344,132</u>
Governmental Activities Capital Assets, Net	<u>\$11,119,747</u>	<u>\$20,063,364</u>	<u>\$0</u>	<u>\$31,183,111</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$189,504
Special	5,648
Other Instruction	6,395
Support Services:	
Pupil	975
Instructional Staff	6,365
School Administration	7,886
Fiscal	1,040
Business	7,803
Operations and Maintenance	16,038
Pupil Transportation	71
Central	16,068
Operation of Non-Instructional Services	11,152
Extracurricular Activities	8,073
Total Depreciation Expense	<u><u>\$277,018</u></u>

## 7. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>						
General Obligation Bonds and Notes:						
School Improvement						
1997 5.75%	12/1/16	\$4,475,000	\$0	\$335,000	\$4,140,000	\$355,000
Note Payable	9/30/08	199,384	0	47,452	151,932	49,014
School Improvement -						
Current Interest Bonds						
2005 2.00%-5.00%	12/1/33	27,635,000	0	5,000	27,630,000	305,000
2005 4.10%	12/1/15	365,000	51,939	0	416,939	0
Total General Obligation Bonds and Notes		32,674,384	51,939	387,452	32,338,871	709,014
Compensated Absences		377,526	326,322	184,393	519,455	56,882
Total Governmental Activities		<u><u>\$33,051,910</u></u>	<u><u>\$378,261</u></u>	<u><u>\$571,845</u></u>	<u><u>\$32,858,326</u></u>	<u><u>\$765,896</u></u>

General obligation bonds and notes will be paid from the general and debt service funds. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds and Notes			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$709,024	\$1,607,655	\$2,316,679	\$0	\$0	\$0
2008	750,626	1,586,401	2,337,027	0	0	0
2009	782,282	1,561,915	2,344,197	0	0	0
2010	775,000	1,527,720	2,302,720	0	0	0
2011	820,000	1,491,630	2,311,630	0	0	0
2012-2016	2,892,671	7,865,826	10,758,497	1,220,000	0	1,220,000
2017-2021	4,892,329	5,947,400	10,839,729	0	0	0
2022-2026	6,865,000	4,430,300	11,295,300	0	0	0
2027-2031	9,065,000	2,501,750	11,566,750	0	0	0
2032-2033	4,370,000	330,750	4,700,750	0	0	0
Total	<u>\$31,921,932</u>	<u>\$28,851,347</u>	<u>\$60,773,279</u>	<u>\$1,220,000</u>	<u>\$0</u>	<u>\$1,220,000</u>

## 8. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$285,264, \$263,808, and \$238,032, respectively; 49% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

### STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,088,100, \$1,052,268, and \$984,180, respectively; 83% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

## **9. POST EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$77,721 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, School District paid \$68,890 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

## **10. CONTINGENT LIABILITIES**

### **GRANTS**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2006.

## **LITIGATION**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

## **11. JOINTLY GOVERNED ORGANIZATIONS**

*Unified Purchasing Cooperative of Ohio River Valley* - The Unified Purchasing Cooperative of Ohio River Valley is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

*Great Oaks Joint Vocational School* - The Great Oaks Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. The Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Joint Vocational School, John Wahle, who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

*Hamilton/Clermont Cooperative Association* - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the H/CCA, Al Porter, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

## **12. 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, injuries to employees and natural disasters. During fiscal year 2006, the District contracted with The Cincinnati Insurance Co., Crum & Forster Insurance, and Nationwide Insurance Company for property and general liability insurance and boiler machinery insurance.

Boiler and machinery coverage has a \$1,000 deductible. General liability is provided by Indiana Insurance Company with \$1,000,000 each occurrence \$2,000,000 aggregate limit. Vehicles are covered by Indiana Insurance Company with a \$1,000 deductible. Public official bond insurance is provided by Ohio Casualty Insurance Company. The Treasurer, is covered by a bond in the amount of \$50,000. The Superintendent and Board President are covered by bonds in the amount of \$20,000 each. The District has elected to provide employee medical, dental and life insurance through Greater Cincinnati Insurance Consortium. The employees share the cost of the monthly premium for the coverage with the Board.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

**13. INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-elect and Immediate Past President of OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee for the GRP to cover the costs of administering the program.

**14. ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Title VIR	\$2,012
Special Enterprise	10,108

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Compliance**

Ohio Revised Code Section 5705.41D states that no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During the year certain expenditures were not properly encumbered prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.



Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year end, the District had disbursements exceeding appropriations in the following funds:

Debt Service	\$13,381
Building	7,125,975
Uniform Supply	18,297
Jennings Grant	2,387
Latchkey	20,138
Athletics	4,415
Entry Year	801
Safe Schools	2,436
Student Conflict Management	484

**15. FUND BALANCE RESERVES FOR SET-ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2005	(\$90,620)	\$ 0
Current Year Set-aside Requirement	213,609	213,609
Qualified Disbursements	(207,411)	(251,226)
Current Year Offsets	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>(\$84,422)</u>	<u>\$ 0</u>
Restricted Cash as of June 30, 2006	<u>\$ 0</u>	

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for capital maintenance reserve during the year were \$251,226, which exceeded the required set-aside and reserve balance. Qualifying disbursements for textbook reserve during the year and carried over from last year were \$298,031, which exceeded the required set aside and \$84,422 may be carried forward to use in future years. Senate Bill 345 eliminated the Budget Stabilization Reserve.

**16. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2006, consisted of the following funds for transfers in and out:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$8,400
Other Governmental Funds	<u>8,400</u>	<u>0</u>
Total All Funds	<u>\$8,400</u>	<u>\$8,400</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**17. CONSTRUCTION COMMITMENTS**

As of June 30, 2006, the District had the following commitment with respects to capital projects:

<u>Project</u>	Remaining Construction <u>Commitment</u>
Buildings and Improvements	\$1,433,125

**18. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

## **19. SUBSEQUENT EVENTS**

On December 14, 2006 the District issued \$24,615,000 in General Obligation bonds which is being used to advance refund \$27,630,000 of outstanding 2005 Improvement Bonds.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Madeira City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$8,232,194	\$8,381,876	\$8,388,421	\$6,545
Tuition and Fees	3,572	0	3,640	3,640
Investment Earnings	160,616	157,285	163,664	6,379
Intergovernmental	4,051,569	4,118,997	4,128,458	9,461
Other Revenues	86,580	57,000	88,223	31,223
<b>Total Revenues</b>	<b>12,534,531</b>	<b>12,715,158</b>	<b>12,772,406</b>	<b>57,248</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,843,226	6,785,289	6,785,289	0
Special	1,696,906	1,682,539	1,682,539	0
Other	44,380	44,004	44,004	0
<b>Support Services:</b>				
Pupil	911,362	903,646	903,646	0
Instructional Staff	420,214	416,656	416,656	0
General Administration	30,743	30,483	30,483	0
School Administration	979,657	971,363	971,363	0
Fiscal	411,345	407,862	407,862	0
Business	108,998	108,075	108,075	0
Operations and Maintenance	1,269,282	1,258,536	1,258,536	0
Pupil Transportation	867,170	859,828	859,828	0
Central	257,775	255,593	255,593	0
Operation of Non-Instructional Services	2,903	2,878	2,878	0
Extracurricular Activities	341,399	338,509	338,509	0
<b>Total Expenditures</b>	<b>14,185,360</b>	<b>14,065,261</b>	<b>14,065,261</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,650,829)</b>	<b>(1,350,103)</b>	<b>(1,292,855)</b>	<b>57,248</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	32	100	33	(67)
Advances In	3,197	0	3,258	3,258
Advances (Out)	(3,286)	(3,258)	(3,258)	0
Transfers (Out)	(8,472)	(8,400)	(8,400)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(8,529)</b>	<b>(11,558)</b>	<b>(8,367)</b>	<b>3,191</b>
<b>Net Change in Fund Balance</b>	<b>(1,659,358)</b>	<b>(1,361,661)</b>	<b>(1,301,222)</b>	<b>60,439</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>3,760,561</b>	<b>3,760,561</b>	<b>3,760,561</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$2,101,203</b>	<b>\$2,398,900</b>	<b>\$2,459,339</b>	<b>\$60,439</b>

See accompanying notes to the required supplementary information.

**MADEIRA CITY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2006**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2006.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$1,208,154)
Net Adjustment for Revenue Accruals	36,088
Net Adjustment for Expenditure Accruals	(114,118)
Encumbrances	<u>(15,038)</u>
Budget Basis	<u>(\$1,301,222)</u>

**MADEIRA CITY SCHOOL DISTRICT**

**Yellow Book Report**

**June 30, 2006**





December 18, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Madeira City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madeira City School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

This report is intended solely for the information and use of the audit committee, management, the Auditor of State and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Certified Public Accountants

**Schedule of Findings**  
**June 30, 2006**

**Finding Number 2006-001**

Non Compliance Citation

Ohio Revised Code Section 5705.41D states that no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. During the year certain expenditures were not properly encumbered prior to incurring the obligation. Failure to properly certify funds could result in overspending funds.

Recommendation

We recommend that the District comply with the Ohio Revised Code by reviewing invoices and ensuring that all expenditures have a purchase order prior to making a purchase.

Management's Comments/Response

The District is reviewing expenditures and requiring purchase orders for District purchases.

**Finding Number 2006-002**

Non Compliance Citation

Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year end, the District had disbursements exceeding appropriations in the following funds:

Debt Service	\$13,381
Building	7,125,975
Uniform Supply	18,297
Jennings Grant	2,387
Latchkey	20,138
Athletics	4,415
Entry Year	801
Safe Schools	2,436
Student Conflict Management	484

### Recommendation

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

### Management's Comments/Response

The District will monitor expenditures and modify them as needed during the fiscal year.



**Mary Taylor, CPA**  
Auditor of State

**MADEIRA CITY SCHOOL DISTRICT**  
**HAMILTON 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 22, 2007**