



**Auditor of State
Betty Montgomery**

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Maysville Local School District
Muskingum County
2805 Pinkerton Road
P.O. Box 1818
Zanesville, Ohio 43702

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Maysville Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these basic 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 basic 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 Maysville Local School District, Muskingum County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003 the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

February 11, 2004

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of the Maysville Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2003 are as follows:

- Net assets of governmental activities increased \$352,538.
- General revenues accounted for \$13,252,608 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,754,557, or 22 percent of total revenues of \$17,007,165.
- Total assets of governmental activities decreased \$97,703 primarily due to a decrease in cash and cash equivalents because the School District completed the Classroom Facilities construction project during fiscal year 2003. The decreases were offset by increases in Capital assets.
- The School District had \$16,654,627 in expenses related to governmental activities; only \$3,754,557 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$13,252,608 provided for these activities.
- The School District has three major funds; the general fund, the permanent improvement capital projects fund, and the classroom facilities capital projects fund. The general fund had \$13,145,934 in revenues and \$13,039,621 in expenditures. The general fund's balance increased \$117,605. The permanent improvement capital projects fund had \$136,538 in revenues and \$648,375 in expenditures. The permanent improvement fund's balance increased \$782,795. The classroom facilities capital projects fund had \$130,886 in revenues and \$4,118,624 in expenditures. The classroom facilities fund's balance decreased \$3,987,738.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities 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 School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the permanent improvement fund, and the classroom facilities fund.

Governmental Funds Most of the School 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 fiscal 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 School District's general governmental 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.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2003 compared to 2002.

Capital Assets	33,385,908	29,835,717
Total Assets	<u>44,431,211</u>	<u>44,528,914</u>
Liabilities		
Long-Term Liabilities	(5,406,926)	(5,373,387)
Other Liabilities	<u>(4,555,117)</u>	<u>(5,038,897)</u>
Total Liabilities	<u>(9,962,043)</u>	<u>(10,412,284)</u>
Net Assets		
Invested in Capital Assets, Net of Debt	28,874,983	25,238,936
Restricted	3,989,189	7,272,065
Unrestricted	<u>1,604,996</u>	<u>1,605,629</u>
Total Net Assets	<u><u>\$34,469,168</u></u>	<u><u>\$34,116,630</u></u>

Total assets decreased \$97,703. The decrease was due to a decrease in cash and cash equivalents because the School District completed the Classroom Facilities construction project during fiscal year 2003. The decreases were offset by increases in Capital assets.

Total liabilities decreased \$450,241. Retainage payable decreased \$569,304 because the School District completed the Classroom Facilities construction during fiscal year 2003. The decreases were offset by increases in accrued wages, intergovernmental payables, deferred revenues and other liabilities.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Maysville Local School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>
Revenues	2003
Program Revenues	
Charges for Services	\$748,266
Operating Grants, Contributions and Interest	2,938,862
Capital Grants and Contributions	67,429
	3,754,557
General Revenue	
Property Taxes	3,167,717
Grants and Entitlements	9,116,520
Investment Earnings	126,285
Gain on Sale of Capital Assets	836,671
Miscellaneous	5,415
	13,252,608
Total Revenues	17,007,165
 Program Expenses	
Instruction	
Regular	7,071,073
Special	1,257,070
Vocational	241,450
Support Services	
Pupil	609,379
Instructional Staff	1,374,501
Board of Education	63,783
Administration	1,500,483
Fiscal	318,939
Operation and Maintenance of Plant	1,947,684
Pupil Transportation	850,556
Central	45,953
Operation of Non-Instructional Services	
Food Service Operations	721,513
Other	61,008
Extracurricular Activities	342,551
Interest and Fiscal Charges	248,684
Total Expenses	16,654,627
 Increase in Net Assets	\$352,538

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. Only 22 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 78 percent is provided through taxes and entitlements.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	2003 Total Cost of Services	2003 Net Cost of Services
Program Expenses		
Instruction:		
Regular	\$7,071,073	\$6,478,013
Special	1,257,070	552,362
Vocational	241,450	212,139
Support Services:		
Pupil	609,379	533,514
Instructional Staff	1,374,501	664,488
Board of Education	63,783	63,783
Administration	1,500,483	1,380,753
Fiscal	318,939	318,939
Operation and Maintenance of Plant	1,947,684	1,840,397
Pupil Transportation	850,556	321,144
Central	45,953	29,604
Operation of Non-Instructional Services		
Food Service Operations	721,513	37,850
Other	61,008	19,258
Extracurricular Activities	342,551	199,142
Interest and Fiscal Charges	248,684	248,684
	\$16,654,627	\$12,900,070
Totals		

Instructional programs comprise approximately 51 percent of total governmental program expenses and support services makes up approximately 40 percent of the program expenses of the District.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,150,425 and expenditures of \$20,573,488.

General Fund Budgeting Highlights

The School 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.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

During the course of fiscal 2003, the School District amended its general fund budget, but not significantly. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

Budget basis revenue was \$13,105,014 compared to original estimates of \$12,412,340. Of this \$690,764 difference, most was due to conservative estimates in Parity Aid and state subsidies.

The School District's ending unobligated general fund balance was \$2,515,908.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$33,385,908 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4
Capital Assets at June 30, 2003
(Net of Depreciation)

	<u>Government Activities</u>	
	<u>2003</u>	<u>2002</u>
Land and Land Improvements	\$1,423,162	\$1,228,971
Buildings and Improvements	29,860,190	12,920,403
Furniture and Equipment	1,861,200	1,248,635
Vehicles	241,356	314,190
Construction in Progress	<u>0</u>	<u>14,123,518</u>
Totals	<u>\$33,385,908</u>	<u>\$29,835,717</u>

During fiscal year 2003, the School District made land improvements and purchased various furniture and equipment. In addition, \$14,123,518 was removed from construction in progress and reallocated to buildings and improvements and equipment due to the School District completing the final construction stages of their new school campus under the State's "Classroom Facilities Program". The Elementary building was complete as of June 30, 2002 while the High School and Middle School building was completed during fiscal year 2003. See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2003, the School District had \$4,510,925 in School Facilities Improvement Bonds and capital leases outstanding. See Note 16 for more detailed information of the School District's debt.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Set-asides

For fiscal year 2003, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2003, this amounted to \$299,852 for each set aside. For fiscal year 2003, the School District had qualifying disbursements or offsets exceeding the \$299,852 requirement for textbooks and capital maintenance. See Note 21 for more information regarding the School District's set-asides.

Economic Factors

Maysville Local School District's net assets increased by \$352,538, however as the preceding information shows, the School District relies heavily on state subsidies. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District should be able to maintain financial stability with careful financial planning and prudent fiscal management.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact, Lewis W. Sidwell, Treasurer at Maysville Local School District, P.O. Box 1818, Zanesville, Ohio 43702. You may also E-mail the treasurer at lsidwell@laca.org.

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Maysville Local School District, Ohio

Statement of Net Assets

June 30, 2003

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,062,891
Cash and Cash Equivalents in Segregated Accounts	356
Accounts Receivable	4,289
Intergovernmental Receivable	134,897
Accrued Interest Receivable	17,858
Prepaid Items	20,165
Inventory Held for Resale	3,245
Materials and Supplies Inventory	2,190
Property Taxes Receivable	3,799,412
Nondepreciable Capital Assets	785,750
Depreciable Capital Assets, Net	<u>32,600,158</u>
<i>Total Assets</i>	<u>44,431,211</u>
Liabilities	
Accounts Payable	152,095
Accrued Wages and Benefits Payable	1,665,004
Contracts Payable	83,571
Retainage Payable	13,109
Accrued Interest Payable	133,446
Vacation Benefits Payable	60,246
Intergovernmental Payable	420,001
Deferred Revenue	1,833,645
Claims Payable	194,000
Long-Term Liabilities:	
Due Within One Year	318,491
Due In More Than One Year	<u>5,088,435</u>
<i>Total Liabilities</i>	<u>9,962,043</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	28,874,983
Restricted for:	
Capital Projects	3,451,963
Debt Service	216,894
Budget Stabilization	52,606
Other Purposes	267,726
Unrestricted	<u>1,604,996</u>
<i>Total Net Assets</i>	<u>\$34,469,168</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

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Maysville Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$7,071,073	\$166,420	\$404,609	\$22,031	(\$6,478,013)
Special	1,257,070	0	704,708	0	(552,362)
Vocational	241,450	0	29,311	0	(212,139)
Support Services:					
Pupil	609,379	0	75,865	0	(533,514)
Instructional Staff	1,374,501	4,450	705,563	0	(664,488)
Board of Education	63,783	0	0	0	(63,783)
Administration	1,500,483	0	119,730	0	(1,380,753)
Fiscal	318,939	0	0	0	(318,939)
Operation and Maintenance of Plant	1,947,684	59,413	47,874	0	(1,840,397)
Pupil Transportation	850,556	4,374	479,640	45,398	(321,144)
Central	45,953	0	16,349	0	(29,604)
Operation of Non-Instructional Services:					
Food Service Operations	721,513	365,234	341,475	0	(14,804)
Other	61,008	4,966	13,738	0	(42,304)
Extracurricular Activities	342,551	143,409	0	0	(199,142)
Interest and Fiscal Charges	248,684	0	0	0	(248,684)
Totals	\$16,654,627	\$748,266	\$2,938,862	\$67,429	(\$12,900,070)

General Revenues

Property Taxes Levied for	
General Purposes	2,770,644
Debt Service	338,421
Classroom Facilities Maintenance	58,652
Gain on Sale of Capital Asset	836,671
Grants and Entitlements not Restricted to Specific Programs	9,116,520
Investment Earnings	126,285
Miscellaneous	5,415
Total General Revenues	13,252,608
<i>Change in Net Assets</i>	352,538
<i>Net Assets Beginning of Year - See Note 3</i>	34,116,630
<i>Net Assets End of Year</i>	\$34,469,168

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2003

	General	Permanent Improvement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,589,538	\$2,159,136	\$1,398,699	\$540,570	\$6,687,943
Cash and Cash Equivalents in Segregated Accounts	0	0	94	262	356
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	52,606	0	0	0	52,606
Accounts Receivable	3,893	0	0	396	4,289
Interfund Receivable	83,015	0	0	0	83,015
Intergovernmental Receivable	8,888	0	0	126,009	134,897
Accrued Interest Receivable	0	17,858	0	0	17,858
Prepaid Items	139,154	0	46	9,797	148,997
Inventory Held for Resale	0	0	0	3,245	3,245
Materials and Supplies Inventory	1,134	0	0	1,056	2,190
Property and Other Local Taxes Receivable	3,322,449	0	0	476,963	3,799,412
Total Assets	\$6,200,677	\$2,176,994	\$1,398,839	\$1,158,298	\$10,934,808
Liabilities					
Accounts Payable	\$87,464	\$41,225	\$9,765	\$13,641	\$152,095
Accrued Wages and Benefits	1,566,237	0	0	98,767	1,665,004
Contracts Payable	0	0	83,571	0	83,571
Retainage Payable	0	0	13,109	0	13,109
Interfund Payable	0	0	0	83,015	83,015
Deferred Revenue	2,384,442	11,832	0	411,538	2,807,812
Intergovernmental Payable	237,284	0	0	20,484	257,768
Total Liabilities	4,275,427	53,057	106,445	627,445	5,062,374
Fund Balances					
Reserved for Encumbrances	12,175	69,566	38,067	54,096	173,904
Reserved for Budget Stabilization	52,606	0	0	0	52,606
Reserved for Property Taxes	949,775	0	0	152,435	1,102,210
Unreserved:					
Undesignated, Reported in:					
General Fund	910,694	0	0	0	910,694
Special Revenue Funds	0	0	0	169,679	169,679
Debt Service Fund	0	0	0	135,643	135,643
Capital Projects Funds	0	2,054,371	1,254,327	19,000	3,327,698
Total Fund Balances	1,925,250	2,123,937	1,292,394	530,853	5,872,434
Total Liabilities and Fund Balances	\$6,200,677	\$2,176,994	\$1,398,839	\$1,158,298	\$10,934,808

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio
*Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2003*

Total Governmental Fund Balances \$5,872,434

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 33,385,908

Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:

Property Taxes Receivable	863,557	
Accrued Interest Receivable	11,832	
Intergovernmental Receivable	95,344	
Student Fees	3,434	974,167

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. (490)

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (162,233)

Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accrual that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (133,446)

Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (60,246)

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Bonds Payable	(4,210,000)	
Capital Leases Payable	(300,925)	
Retirement Incentive Payable	(40,000)	
Compensated Absences	(856,001)	(5,406,926)

Net Assets of Governmental Activities \$34,469,168

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Permanent Improvement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$2,719,624	\$0	\$0	\$403,305	\$3,122,929
Intergovernmental	10,259,417	0	84,607	1,679,125	12,023,149
Interest	0	135,490	46,279	2,368	184,137
Tuition and Fees	44,348	0	0	141,920	186,268
Extracurricular Activities	0	0	0	143,409	143,409
Rentals	57,707	0	0	0	57,707
Charges for Services	0	0	0	366,940	366,940
Contributions and Donations	60,471	0	0	0	60,471
Miscellaneous	4,367	1,048	0	0	5,415
Total Revenues	<u>13,145,934</u>	<u>136,538</u>	<u>130,886</u>	<u>2,737,067</u>	<u>16,150,425</u>
Expenditures					
Current:					
Instruction:					
Regular	6,428,378	0	0	551,954	6,980,332
Special	1,067,617	0	0	169,418	1,237,035
Vocational	238,906	0	0	0	238,906
Support Services:					
Pupils	516,838	0	0	72,837	589,675
Instructional Staff	613,928	0	0	655,329	1,269,257
Board of Education	63,783	0	0	0	63,783
Administration	1,400,427	0	0	5,317	1,405,744
Fiscal	310,704	0	0	5,399	316,103
Operation and Maintenance of Plant	1,337,453	189,499	0	52,137	1,579,089
Pupil Transportation	757,861	0	0	6,187	764,048
Central	22,732	0	0	16,497	39,229
Other Non-Instructional Services	2,452	0	0	715,914	718,366
Extracurricular Activities	173,327	0	0	149,446	322,773
Capital Outlay	0	458,876	4,118,624	0	4,577,500
Debt Service:					
Principal Retirement	89,733	0	0	130,000	219,733
Interest and Fiscal Charges	15,482	0	0	236,433	251,915
Total Expenditures	<u>13,039,621</u>	<u>648,375</u>	<u>4,118,624</u>	<u>2,766,868</u>	<u>20,573,488</u>
Excess of Revenues Over (Under) Expenditures:	<u>106,313</u>	<u>(511,837)</u>	<u>(3,987,738)</u>	<u>(29,801)</u>	<u>(4,423,063)</u>
Other Financing Sources and (Uses)					
Proceeds from Sale of Fixed Assets	3,829	1,094,632	0	0	1,098,461
Transfers In	0	200,000	0	0	200,000
Transfers Out	(200,000)	0	0	0	(200,000)
Inception of a Capital Lease	207,463	0	0	0	207,463
Total Other Financing Sources and (Uses)	<u>11,292</u>	<u>1,294,632</u>	<u>0</u>	<u>0</u>	<u>1,305,924</u>
Net Change in Fund Balances	117,605	782,795	(3,987,738)	(29,801)	(3,117,139)
Fund Balances Beginning of Year					
Restated (Note 3)	1,807,645	1,341,142	5,280,132	560,654	8,989,573
Fund Balances End of Year	<u>\$1,925,250</u>	<u>\$2,123,937</u>	<u>\$1,292,394</u>	<u>\$530,853</u>	<u>\$5,872,434</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$3,117,139)

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

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

Capital Asset Additions	4,447,977	
Depreciation Expense	(569,033)	3,878,944

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds, the gain on the sale of capital assets, and the loss on disposal of assets.

Loss on Disposal of Capital Assets	(66,963)	
Gain on the Sale of Capital Assets	836,671	
Proceeds from the Sale of Capital Assets	(1,098,461)	(328,753)

Interest	(11,573)	
Student Fees	(6,058)	
Income Taxes	0	
Tuition from Other School Districts	0	0

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 293,319

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 3,231

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability. (207,463)

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.

Intergovernmental Payable	(21,286)	
Sick Leave Benefit Payable	(119,395)	(160,084)

The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. The net revenue (expense) internal service fund revenues are eliminated. (\$29,586)

Change in Net Assets of Governmental Activities \$352,538

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
General Fund
For the Fiscal Year Ended June 30, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,765,340	\$2,765,340	\$2,677,940	(\$87,400)
Intergovernmental	9,600,000	9,600,000	10,260,380	660,380
Tuition and Fees	47,000	45,000	44,166	(834)
Rent	0	0	57,707	57,707
Contributions and Donations	0	0	60,471	60,471
Miscellaneous	0	4,000	4,350	350
<i>Total Revenues</i>	12,412,340	12,414,340	13,105,014	690,674
Expenditures				
Current:				
Instruction:				
Regular	5,816,252	5,915,706	6,191,739	(276,033)
Special	890,600	899,015	1,043,548	(144,533)
Vocational	171,634	233,256	245,751	(12,495)
Other	138,983	140,296	89,086	51,210
Support Services:				
Pupils	384,388	388,020	522,277	(134,257)
Instructional Staff	1,032,697	1,039,454	597,040	442,414
Board of Education	47,055	47,500	62,435	(14,935)
Administration	1,415,715	1,429,091	1,401,568	27,523
Fiscal	301,069	303,914	307,986	(4,072)
Operation and Maintenance of Plant	945,191	1,447,122	1,346,766	100,356
Pupil Transportation	754,846	768,978	817,021	(48,043)
Central	40,349	40,730	22,642	18,088
Non-Instructional Services	1,982	2,500	2,452	48
Extracurricular Activities	165,794	167,361	175,946	(8,585)
<i>Total Expenditures</i>	12,106,555	12,822,943	12,826,257	(3,314)
<i>Excess of Revenues Over (Under) Expenditures</i>	305,785	(408,603)	278,757	687,360
Other Financing Sources and (Uses)				
Proceeds from Sale of Fixed Assets	0	0	3,829	3,829
Transfers Out	(200,000)	(200,000)	(200,000)	0
Advances Out	0	0	(33,000)	(33,000)
<i>Total Other Financing Sources and (Uses)</i>	(200,000)	(200,000)	(229,171)	(29,171)
<i>Net Change in Fund Balance</i>	105,785	(608,603)	49,586	658,189
<i>Fund Balance Beginning of Year</i>	2,351,783	2,351,783	2,351,783	0
<i>Prior Year Encumbrances Appropriated</i>	114,388	114,388	114,388	0
<i>Fund Balance End of Year</i>	\$2,571,956	\$1,857,568	\$2,515,757	\$658,189

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2003

	Self- Insurance
Current Assets	
Cash and Cash Equivalents	<u>\$322,342</u>
Current Liabilities	
Deferred Revenue	128,832
Claims Payable	<u>194,000</u>
<i>Total Liabilities</i>	<u>322,832</u>
Net Assets	
Unrestricted	<u><u>(\$490)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

	<u>Self-Insurance</u>
Operating Revenues	
Charges for Services	<u>\$1,696,974</u>
Operating Expenses	
Purchased Services	92,773
Claims	<u>1,633,787</u>
<i>Total Operating Expenses</i>	<u>1,726,560</u>
<i>Operating Loss</i>	(29,586)
<i>Net Assets at Beginning of Year</i>	<u>29,096</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>(\$490)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2003

	<u>Self- Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$1,714,968
Cash Payments for Claims	(1,633,787)
Cash Payments for Services	<u>(122,108)</u>
<i>Net Cash Used by Operating Activities</i>	<u>(40,927)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(40,927)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>363,269</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$322,342</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	(\$29,586)
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	58
Increase in Deferred Revenue	17,994
Decrease in Claims Payable	<u>(29,393)</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>(\$40,927)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets	
Equity in Pooled Cash and Cash Equivalents	\$44,179
Cash and Cash Equivalents in Segregated Accounts	<u>328</u>
<i>Total Assets</i>	<u><u>\$44,507</u></u>
 Liabilities	
Due to Students	\$44,179
Undistributed Monies	<u>328</u>
<i>Total Liabilities</i>	<u><u>\$44,507</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Maysville Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

Maysville Local School District was established in 1956 through the consolidation of the Springfield-Bell Local School District and the South Zanesville Local School District. The School District serves an area of approximately 66 square miles. It is located in Muskingum County, and includes a portion of the City of Zanesville, the Village of East Fultonham, and the Townships of Newton and Springfield. The School District is the 271st largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 104 classified employees, 142 certificated full-time teaching personnel, and 11 administrative employees who provide services to 2,174 students and other community members. The School District currently operates two instructional buildings, one administrative building, and one garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Maysville Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Licking Area Computer Association, Mid-East Career and Technology Centers, Coalition of Rural and Appalachian Schools, the School Study Council of Ohio, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

In March of 2003, the Board of Education, by resolution, created the Foxfire Non-Traditional Alternative School pursuant to the laws of the State of Ohio. The alternative school was established pursuant to 3314.03, Ohio Revised Code, as a legally separate entity whose governing board is composed of three licensed members employed by the Board of Education, the Treasurer of the board of education, and representatives of the parents and students served by the alternative school. The Treasurer and the parents and students are non-voting members of the board. The School District appoints three of the appointed members.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The alternative school was designed for high school dropouts, home schooled students and non-traditional students over the age of fifteen with enough credits to be considered a high school junior. The alternative school board may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. No significant financial activity occurred for the alternative school during fiscal year 2003. Once funding is finalized the appropriate presentation in the School District's financial statements will be determined.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

The School 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.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 descriptions of the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Permanent Improvement Fund The permanent improvement capital projects fund is used to account for the receipts and expenditures related to acquiring, constructing, and improving school facilities.

Classroom Facilities Fund The classroom facilities capital projects fund is used to account for the monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund, accounts for the operation of the School District's self-insurance program for employee medical, surgical, prescription drug, and dental claims.

Fiduciary Fund Type 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 School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and payroll withholdings.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual 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 School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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, 2003, but which were levied to finance fiscal year 2004 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 and proprietary fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds except the Classroom Facilities capital projects fund are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "cash and cash equivalents" on the financial statements.

The School District has segregated bank accounts for the payroll, athletic, and the retainage escrow accounts. These checking accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are kept separate from the School District treasury.

During fiscal year 2003, investments were limited to repurchase agreements, nonparticipating certificates of deposits, which are reported at cost, and the State Treasury Asset Reserve of Ohio (STAROhio).

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2003 amounted to \$135,490, which includes \$97,553 assigned from other School District funds.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used.

Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-20 years
Buildings and Improvements	20-40 years
Machinery and Equipment	5-15 years
Furniture and Fixtures	5-20 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets represent the amount required by State statute to be set aside to create a reserve for budget stabilization and revenues restricted for the purchase of buses. See Note 21 for additional information regarding set asides.

K. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the School District.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

N. 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

P. 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.

Q. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures. At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. At June 30, 2003 there was no significant effect on fund balances as a result of implementing GASB Interpretation 6.

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the governmental uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement was not applicable to the School District for fiscal year 2003.

The School District implemented a new fixed asset policy which increased the capitalization threshold of capital assets from one thousand dollars to five thousand dollars.

The government-wide financial statements split the School District’s programs between business-type and governmental activities. The funds previously classified as enterprise funds have been reclassified as special revenue funds under the new guidelines of Statement 34. As a result the School District has no business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, the reclassification of funds based on the guidance provided in Statement No. 34, and the conversion to the accrual basis of accounting.

Restatement of Fund Balance The implementation of GASB 34 and Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Maysville Local School District, Ohio
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	General	Permanent Improvement Fund	Classroom Facilities Fund	Nonmajor	Total
Fund Balances, June 30, 2002	\$1,810,539	\$1,341,142	\$5,280,132	\$660,990	\$9,092,803
Fund Reclassification	17,028	0	0	(144,948)	(127,920)
Intergovernmental Payable	0	0	0	22,819	22,819
Inventory Held for Resale	0	0	0	1,107	1,107
Insurance Incentive	(33,200)	0	0	(4,000)	(37,200)
Interpretation 6:					
Compensated Absences Payable	13,278	0	0	24,686	37,964
Adjusted Fund Balance, June 30, 2002	\$1,807,645	\$1,341,142	\$5,280,132	\$560,654	\$8,989,573
GASB 34 Adjustments:					
Capital Assets					29,835,717
Internal Service Fund					29,096
Intergovernmental Payable					(140,947)
Vacation Benefits Payable					(40,843)
Accrued Interest Payable					(136,677)
Long-Term Liabilities					(5,373,387)
Long-Term (Deferred) Assets					954,098
Governmental Activities Net Assets, June 30, 2002					\$34,116,630

	Business Type Activities
Fund Equity, June 30, 2002	(\$105,488)
Fund Reclassification	105,488
Business Type Activities, June 30, 2002	\$0

As a result of increasing the threshold for capital assets from \$1,000 to \$5,000 and implementing a new reappraisal of capital assets, the amount reported as of June 30, 2002 was decreased by \$8,353,449 from \$38,189,166 to \$29,835,717.

NOTE 4 - ACCOUNTABILITY

The following funds had a deficit fund balances at of June 30, 2003.

<u>Nonmajor Funds</u>	<u>Excess</u>
Food Service Fund	\$91,298
Public Preschool Fund	18,660
Foxfire Alternative School	10,324
Miscellaneous Federal Grants	64

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
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The deficit fund balances in the special revenue funds are the result of the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

While the School 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) 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 (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Net Change in Fund Balance	
GAAP Basis	\$117,605
Net Adjustment for Revenue Accruals	(40,937)
Net Adjustment for Expenditure Accruals	121,284
Beginning:	
Prepaid Items	117,160
Ending:	
Prepaid Items	(139,154)
Adjustment for Encumbrances	<u>(126,372)</u>
Budget Basis	<u><u>\$49,586</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,832,782 and the bank balance was \$2,023,121. Of the bank balance, \$223,121 was covered by federal depository insurance and \$1,800,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying and Fair Value
STAROhio		\$280,478
Repurchase Agreements	4,994,494	4,994,494
Total	\$4,994,494	\$5,274,972

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$7,107,754	\$0
Investments of the Cash Management Pool:		
STAROhio	(280,478)	280,478
Repurchase Agreements	(4,994,494)	4,994,494
GASB Statement 3	\$1,832,782	\$5,274,972

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2002, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Muskingum County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The amount available as an advance at June 30, 2003, was \$1,102,210. \$949,775 was available to the general fund, \$130,018 was available to the bond retirement debt service fund, and \$22,417 was available to the classroom facilities maintenance special revenue fund. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

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 is deferred.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>2002 Second- Half Collections</u>		<u>2003 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$105,666,350	82.70%	\$106,936,650	84.39%
Public Utility	8,439,760	6.61%	6,170,030	4.87%
Tangible Personal Property	<u>13,660,610</u>	<u>10.69%</u>	<u>13,604,140</u>	<u>10.74%</u>
Total Assessed Value	<u>\$127,766,720</u>	<u>100.00%</u>	<u>\$126,710,820</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.95		\$40.85	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, income taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. 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. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
CAFS Reimbursement	\$8,888
National School Lunch Reimbursement	38,999
21st Century Grant	<u>87,010</u>
Total	<u>\$134,897</u>

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Nondepreciable Capital Assets				
Land	\$785,750	\$0	\$0	\$785,750
Construction in Progress	14,123,518	0	(14,123,518)	0
Total Capital Assets not being depreciated	<u>14,909,268</u>	<u>0</u>	<u>(14,123,518)</u>	<u>785,750</u>
Depreciable Capital Assets				
Land Improvements	664,194	228,707	0	892,901
Buildings and Improvements	16,031,429	17,553,861	(1,634,700)	31,950,590
Furniture and Equipment	1,646,391	788,927	(251,366)	2,183,952
Vehicles	1,169,371	0	0	1,169,371
Total at Historical Cost	<u>19,511,385</u>	<u>18,571,495</u>	<u>(1,886,066)</u>	<u>36,196,814</u>
Less Accumulated Depreciation				
Land Improvements	(220,973)	(34,516)	0	(255,489)
Buildings and Improvements	(3,111,026)	(352,284)	1,372,910	(2,090,400)
Furniture and Equipment	(397,756)	(109,399)	184,403	(322,752)
Vehicles	(855,181)	(72,834)	0	(928,015)
Total Accumulated Depreciation	<u>(4,584,936)</u>	<u>(569,033)</u>	<u>1,557,313</u>	<u>(3,596,656)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>14,926,449</u>	<u>18,002,462</u>	<u>(328,753)</u>	<u>32,600,158</u>
Governmental Activities Capital Assets, Net	<u>\$29,835,717</u>	<u>\$18,002,462</u>	<u>(\$14,452,271)</u>	<u>\$33,385,908</u>

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	228,666
Special	26,908
Vocational	1,051
Support Services:	
Pupil	7,918
Instructional Staff	98,231
Administration	31,990
Fiscal	4,380
Operation and Maintenance	27,201
Pupil Transportation	72,834
Central	4,222
Extracurricular	26,380
Food Service Operations	<u>39,252</u>
Total Depreciation Expense	<u>\$569,033</u>

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT

The School 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 2003 the School District contracted with the Young Insurance Agency Incorporated, through Utica National Insurance Group, for property, electronic equipment, commercial articles, valuable papers, crime insurance, general liability insurance, fleet insurance, and builder's risk insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$27,618,804
Inland Marine Coverage	
Musical Instruments (\$250 deductible)	500,000
Audio/Visual Equipment (\$250 deductible)	50,000
Miscellaneous School Equipment (\$250 deductible)	500,000
Data Processing Equipment	50,000
Extra Expense	10,000
Valuable Papers and Records (\$100 deductible)	100,000
Accounts Receivable (\$0 deductible)	50,000
Depositors Forger	100,000
Public Employee Dishonesty	100,000
Money & Securities -Inside	25,000
Fleet Insurance (\$500 deductible)	1,000,000
Uninsured Motorists	1,000,000
Builders Risk (\$1,000 deductible)	250,000
General Liability	
Per occurrence	2,000,000
Aggregate Per Year	4,000,000
Medical Expense	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administration costs and actuarial services to the GRP.

Medical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$194,000 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$161,225	\$1,335,887	\$1,273,719	\$223,393
2003	223,393	1,633,787	1,663,180	194,000

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined 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 43215-3746.

Plan members are required to contribute 9 percent 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 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. 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, 2003, 2002, and 2001, were \$167,263, \$111,270, and \$53,384, respectively; 49 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$82,503 represents the unpaid contribution for fiscal year 2003. The balance outstanding is recorded as a liability in the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$805,097, \$582,054, and \$575,331 respectively; 85 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,183 made by the School District and \$8,910 made by the plan members. \$123,559 represents the unpaid contribution for fiscal year 2003. The balance outstanding is reflected as an intergovernmental payable.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

All STRS benefit recipients and sponsored 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. Most 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, 2003, 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 \$61,931 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay has been established as \$14,500. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$174,971.

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 at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation benefits are not accumulated at the end of each fiscal year. The liability for vacation benefits is recorded as "vacation benefits payable" as the balances are to be used by employees within the calendar year earned. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 245 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 58 days.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Central Benefits National in the amount of \$20,000 for all employees enrolled.

C. Retirement Incentive

Upon reaching 30 years of retirement credit in the State Teachers Retirement System (STRS), teachers become eligible to receive a \$10,000 retirement bonus (incentive), providing they retire in their 30th year. The benefit will be paid in a lump sum payment in January following the effective fiscal year of retirement.

During fiscal year 2003, the School District paid \$40,000 in retirement incentives that were accrued as liabilities at June 30, 2002. At June 30, 2003 \$40,000 in retirement incentives were also accrued as liabilities.

NOTE 14 – CAPITALIZED LEASES

The School District has entered into capitalized leases for copiers, computer equipment, and fitness equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	Amount
2004	\$110,511
2005	96,557
2006	50,040
2007	50,040
2008	37,531
Total	344,679
Less: Amount Representing Interest	(43,754)
Present Value of Net Minimum Lease Payments	\$300,925

The equipment was originally capitalized in the amount of \$363,250. This amount represents the present value of the minimum lease payments at the time of acquisition. The School District traded-in several of their capital leases within the current fiscal year. The principal amount of \$73,586 was forgiven by the leasing company since the School District reentered into new capital leases. Principal payments in fiscal year 2003 totaled \$89,733 in the governmental funds.

Property under Capital Lease	\$363,250
Less: Accumulated Depreciation	(38,073)
Total June 30, 2003	\$325,177

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - CONTRACTUAL OBLIGATIONS

As of June 30, 2003, the School District had contractual purchase commitments for two projects. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 06/30/03</u>	<u>Amounts Remaining on Contracts</u>
Knight Electric, Inc.	Building	\$1,433,034	\$1,336,449	\$96,585
Steed Hammond Paul, Inc.	Building	1,916,933	1,870,442	46,491
Total		<u>\$3,349,967</u>	<u>\$3,206,891</u>	<u>\$143,076</u>

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Principal Outstanding 6/30/2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2003</u>	<u>Due in One Year</u>
School Facilities Improvement General Obligation Bonds 2000 3.8% - 5.679%	\$4,340,000	\$0	\$130,000	\$4,210,000	\$135,000
Capital Leases	256,781	207,463	163,319	300,925	92,661
Sick Leave Benefits	736,606	170,673	51,278	856,001	50,830
Retirement Incentive	40,000	40,000	40,000	40,000	40,000
Total General Long-Term Obligations	<u>\$5,373,387</u>	<u>\$418,136</u>	<u>\$384,597</u>	<u>\$5,406,926</u>	<u>\$318,491</u>

The School District issued variable interest rate School Facilities Improvement Bonds in 2000. The bond proceeds represented the local share for the School District's construction of a new school campus which will house all students pursuant to the approval of a \$32,022,957 school facilities grant through the State Department of Education. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2022.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Debt service requirements to maturity on the bonds, are as follows:

School Facilities General Obligation Bonds

Fiscal Year Ending June 30,	Principal	Interest
2004	\$135,000	\$230,843
2005	140,000	224,835
2006	145,000	218,465
2007	155,000	211,723
2008	160,000	204,360
2009-2013	930,000	893,578
2014-2018	1,235,000	599,925
2019-2023	1,310,000	188,535
Total	\$4,210,000	\$2,772,264

Capital leases will be paid from the general fund. Compensated absences and the retirement incentive will be paid from the general fund, the food service, and the preschool special revenue funds.

The School District's overall legal debt margin was \$7,459,635 with an unvoted debt margin of \$126,711 at June 30, 2003.

NOTE 17 - INTERFUND ACTIVITY

The only transfer made during fiscal year 2003 was \$200,000 from the general fund to the permanent improvement capital projects fund for emergency repairs.

Interfund balances at June 30, 2003, consist of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Bond Retirement Fund	\$15
Other Nonmajor Governmental	83,000
	\$83,015

In previous fiscal years, there were outstanding advances of \$50,015 from the general fund to the bond retirement debt service fund in the amount of \$15 for a principal payment and to the food service special revenue fund for \$50,000 for operations. During fiscal year 2003, the School District advanced \$27,000 from the general fund to the food service special revenue fund for National School Lunch Program monies not received as of June 30, 2003, and \$6,000 to the miscellaneous federal grants special revenue fund for grant monies not received as of June 30, 2003. All advances will be repaid in fiscal year 2004.

NOTE 18- JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts and educational service centers. 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 LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The School District's payments to LACA for fiscal year 2003 were \$30,085. Financial statements for LACA can be obtained from their fiscal agent - the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Mid-East Career and Technology Centers

The Mid-East Ohio Vocational School is a jointly governed organization providing vocational services to its thirteen member school districts. The Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Vocational School is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2003, the School District made no contributions to the Vocational School. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various inservice for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$300 for fiscal year 2003.

D. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and to vote. School districts may elect to be associate members which entitles them to attend meetings and participate in Council discussions but not to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2003, the Board consisted of fourteen members. In fiscal year 2003, Maysville Local School District obtained active membership privileges and paid a membership fee of \$543.

NOTE 19 – OHIO SCHOOL BOARD ASSOCIATION WORKERS' COMPENSATION GROUP RATING PLAN

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is currently not a party to any material legal proceedings.

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated the budget stabilization requirement and placed restrictions on the budget stabilization money relating to the worker's compensation refunds. Any additional money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2002	(\$448,318)	(\$4,732,000)	\$52,606
Current Year Set-aside Requirement	299,852	299,852	0
Current Year Offsets	0	(1,470,562)	0
Qualifying Disbursements	(290,759)	(367,288)	0
Total	(\$439,225)	(\$6,269,998)	\$52,606
Balance Carried Forward to FY 2003	(\$439,225)	(\$4,732,000)	\$52,606
Cash Balances to Carry Forward to FY 2003	\$0	\$0	\$52,606

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts in the textbooks and capital acquisition set asides may be used to reduce the set-aside requirements in future fiscal years.

NOTE 22 - STATE SCHOOL FUNDING DECISION

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

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

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Noncash Receipts	Cash Disbursements	Noncash Disbursements
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$	\$ 56,490	\$	\$ 56,490
School Breakfast Program	48860-05PU-02/03	10.553	18,381		18,381	
National School Lunch Program	48850-LLP4-02/03	10.555	217,235		217,235	
Total Nutrition Cluster			<u>235,616</u>	<u>56,490</u>	<u>235,616</u>	<u>56,490</u>
Total U.S. Department of Agriculture			235,616	56,490	235,616	56,490
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	48850-C1-S1-03	84.010	302,492		300,801	
	48850-C1-S1-02	84.010			3,569	
Total Title I Grants			<u>302,492</u>		<u>304,370</u>	
Special Education Grants to States	48850-6B-SF-03	84.027	226,527		226,527	
	48850-6B-SF-02	84.027	1,440		1,440	
Total Special Education Grants to States			<u>227,967</u>		<u>227,967</u>	
Safe and Drug-Free Schools and Communities State Grants	48850-DR-S1-03	84.186	10,923		9,154	
	48850-DR-S1-02	84.186			1,258	
Total Safe and Drug-Free Schools and Communities Grants			10,923		10,412	
Goals 2000	48850-G2-SP-01	84.276			727	
	48850-G2-S2-02	84.276			7,367	
Total Goals 2000					<u>8,094</u>	
Eisenhower Professional Development State Grants	48850-MS-S1-02	84.281			1,096	
Innovative Education Program Strategies	48850-C2-S1-03	84.298	13,878		13,878	
Education Technology State Grants	48850-TJ-S1-03	84.318	8,283		4,684	
Improving Teacher Quality State Grants	48850-TR-S1-03	84.367	97,226		97,226	
Twenty-First Century Community Learning Centers	48850-T1-S1-03	84.287	25,936		31,723	
<i>Direct Program:</i>						
Twenty-First Century Community Learning Centers	N/A	84.287	<u>223,681</u>		<u>218,135</u>	
Total Twenty-First Century Community Learning Centers			<u>249,617</u>		<u>249,858</u>	
Total U.S. Department of Education			910,386		917,585	
Corporation for National and Community Service						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America School and Community Based Programs	48843-SV-S4-03	94.004	15,000		15,000	
Total Corporation for National and Community Service			15,000		15,000	
U.S. Department of Health and Human Services						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - CAFS	N/A	93.778	12,661		12,661	
Total U.S. Department of Health and Human Services			<u>12,661</u>		<u>12,661</u>	
Total Federal Awards Receipts and Expenditures			<u>\$ 1,173,663</u>	<u>\$ 56,490</u>	<u>\$ 1,180,862</u>	<u>\$ 56,490</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Maysville Local School District
Muskingum County
2805 Pinkerton Road
P.O. Box 1818
Zanesville, Ohio 43702

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Maysville Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2004, wherein we noted the School District implemented Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated February 11, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated February 11, 2004.

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Maysville Local School District
Muskingum County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

February 11, 2004



Auditor of State Betty Montgomery

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

Board of Education
Maysville Local School District
Muskingum County
2805 Pinkerton Road
P.O. Box 1818
Zanesville, Ohio 43702

To the Board of Education:

Compliance

We have audited the compliance of the Maysville Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control over Compliance

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

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Maysville Local School District
Muskingum County
Independent Accountants' Report on Compliance with Requirements Applicable
to Each Major Federal Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133
Page 2

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

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



Betty Montgomery
Auditor of State

February 11, 2004

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

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MAYSVILLE LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 23, 2004**