



**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, the discretely presented component unit, and the remaining fund information of the Maysville Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the remaining fund information of Maysville Local School District, Muskingum County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Betty Montgomery**  
Auditor of State

February 3, 2006

**Maysville Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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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, 2005. 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 2005 are as follows:

- Net assets of governmental activities decreased \$953,985.
- General revenues accounted for \$13,275,934 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,430,364, 25 percent of total revenues of \$17,706,298.
- Total assets of governmental activities decreased \$587,259. The decrease was due to the increase in accumulated depreciation of \$1,467,414 which was offset by an increase in cash and cash equivalents of \$608,931 and intergovernmental receivables of \$197,557.
- The School District had \$18,660,283 in expenses related to governmental activities; only \$4,430,364 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$13,275,934 were not adequate to provide for these programs.
- The School District has two major funds: the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$14,450,621 in revenues and \$14,436,325 in expenditures. The General Fund's balance increased \$18,558. The Permanent Improvement Capital Projects Fund had \$195,850 in revenues and \$65,493 in expenditures. The Permanent Improvement Fund's balance increased \$130,357.

**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 as 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, 2005*  
*Unaudited*

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***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 2005?" 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 and the Permanent Improvement Capital Projects 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, 2005*  
*Unaudited*

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**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 2005 compared to 2004.

**Table I**  
**Net Assets**

	<u>Governmental Activities</u>		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$11,771,061	\$10,922,057	\$849,004
Capital Assets	<u>35,596,262</u>	<u>37,032,525</u>	<u>(1,436,263)</u>
Total Assets	<u>47,367,323</u>	<u>47,954,582</u>	<u>(587,259)</u>
<b>Liabilities</b>			
Long-Term Liabilities	4,948,409	5,145,427	(197,018)
Other Liabilities	<u>4,921,059</u>	<u>4,357,315</u>	<u>563,744</u>
Total Liabilities	<u>9,869,468</u>	<u>9,502,742</u>	<u>366,726</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	31,537,484	32,744,808	(1,207,324)
Restricted	3,874,459	3,591,206	283,253
Unrestricted	<u>2,085,912</u>	<u>2,115,826</u>	<u>(29,914)</u>
<b>Total Net Assets</b>	<u>\$37,497,855</u>	<u>\$38,451,840</u>	<u>(\$953,985)</u>

Total assets decreased \$587,259. The decrease was due to the increase in accumulated depreciation of \$1,467,414 which is offset by an increase in cash and cash equivalents of \$608,931 and intergovernmental receivables of \$197,557. The increase in cash and cash equivalents is due to the decrease in intergovernmental expenses of \$605,085. During fiscal year 2004, the School District had to pay the Ohio School Facilities Commission \$605,085 for money provided for demolition services for their Ohio School Facilities Building Project. The School District was under budget on their demolition costs therefore, the money was sent back to the State. Intergovernmental receivables increased due to grant monies being received during the available period.

Total liabilities increased \$366,726. This increase is due to an increase in deferred revenue based upon a slight increase in taxes receivable. The increase in total liabilities is offset by a decrease in long-term liabilities of \$197,018. The decrease is primarily due to the School District's principal payment of \$140,000 on their School Facilities Improvement General Obligation Bonds and a principal payment of \$88,939 on their capital leases.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005 and comparisons to fiscal year 2004.

**Maysville Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	2005	2004
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$1,796,969	\$1,632,830
Operating Grants, Contributions and Interest	2,608,291	2,406,831
Capital Grants and Contributions	25,104	70,868
	<u>4,430,364</u>	<u>4,110,529</u>
General Revenue		
Property Taxes	3,428,042	3,597,573
Grants and Entitlements	9,620,285	9,563,557
Investment Earnings	215,797	120,598
Gain on Sale of Capital Assets	4,262	13,244
Miscellaneous	7,548	16,577
	<u>13,275,934</u>	<u>13,311,549</u>
Total Revenues	<u>17,706,298</u>	<u>17,422,078</u>
<b>Program Expenses</b>		
Instruction		
Regular	8,443,878	7,677,115
Special	1,533,182	1,604,390
Vocational	125,684	174,186
Support Services		
Pupil	736,679	656,505
Instructional Staff	1,601,341	1,520,545
Board of Education	76,256	51,292
Administration	1,570,728	1,524,069
Fiscal	332,748	321,337
Operation and Maintenance of Plant	1,676,879	1,600,807
Pupil Transportation	845,281	815,774
Central	70,859	78,360
Operation of Non-Instructional Services		
Food Service Operations	848,117	821,603
Other	21,982	31,726
Extracurricular Activities	483,339	437,137
Intergovernmental	0	605,085
Internal Service Fund - External Portion	50,625	15,186
Interest and Fiscal Charges	242,705	138,200
Total Expenses	<u>18,660,283</u>	<u>18,073,317</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(\$953,985)</u>	<u>(\$651,239)</u>

The above table clearly shows the dependence upon tax revenues and state subsidies for governmental activities. Only 25 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 75 percent is provided through taxes and entitlements.

**Maysville Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

The increase in regular instruction expense is due to a base increase in salaries of 3.75 percent and a step increase of 2.5 percent.

The decrease in intergovernmental expense is due to the School District sending unspent monies back to the State for their Classroom Facilities Project which was completed during fiscal year 2004. The unspent monies were for demolition costs that were completed under budget.

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.

**Table 3**  
**Governmental Activities**

	2005 Total Cost of Services	2005 Net Cost of Services	2004 Total Cost of Services	2004 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,443,878	\$7,112,140	\$7,677,115	\$6,389,910
Special	1,533,182	651,424	1,604,390	645,524
Vocational	125,684	88,272	174,186	136,774
Support Services:				
Pupil	736,679	620,129	656,505	578,086
Instructional Staff	1,601,341	968,389	1,520,545	993,056
Board of Education	76,256	76,256	51,292	51,292
Administration	1,570,728	1,438,941	1,524,069	1,445,410
Fiscal	332,748	332,748	321,337	321,337
Operation and Maintenance of Plant	1,676,879	1,476,690	1,600,807	1,445,446
Pupil Transportation	845,281	807,034	815,774	751,355
Central	70,859	44,144	78,360	53,953
Operation of Non-Instructional Services				
Food Service Operations	848,117	71,697	821,603	138,459
Other	21,982	2,621	31,726	2,114
Extracurricular Activities	483,339	298,743	437,137	269,853
Intergovernmental	0	0	605,085	605,085
Internal Service Fund - External Portion	50,625	(2,014)	15,186	(3,066)
Interest and Fiscal Charges	242,705	242,705	138,200	138,200
<b>Totals</b>	<b>\$18,660,283</b>	<b>\$14,229,919</b>	<b>\$18,073,317</b>	<b>\$13,962,788</b>

Instructional programs comprise approximately 54 percent of total governmental program expenses and support services makes up approximately 37 percent of the program expenses of the School District.

**Maysville Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$14,450,621 and expenditures of \$14,436,325. The Permanent Improvement Capital Projects Fund had total revenues of \$195,850 and expenditures of \$65,493.

***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.

During the course of fiscal 2005, 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.

Final and original budget basis estimated revenues were \$14,545,500.

The School District's ending general fund balance was \$3,051,432.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the School District had \$35,596,262 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

**Table 4**  
**Capital Assets at June 30, 2005**  
**(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2005</u>	<u>2004</u>
Land and Land Improvements	\$1,960,159	\$2,040,034
Buildings and Improvements	31,697,122	32,551,755
Furniture and Equipment	1,729,810	2,160,348
Vehicles	209,171	280,388
<b>Totals</b>	<b><u><u>\$35,596,262</u></u></b>	<b><u><u>\$37,032,525</u></u></b>

See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2005, the School District had \$4,058,778 in School Facilities Improvement Bonds and capital leases outstanding. See Note 15 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, 2005*  
*Unaudited*

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***Set-asides***

For fiscal year 2005, 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 2005, this amounted to \$316,681 for each set aside. For fiscal year 2005, the School District had qualifying disbursements or offsets exceeding the \$316,681 requirement for textbooks and capital maintenance. See Note 20 for more information regarding the School District's set-asides.

**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](mailto:lsidwell@laca.org).

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**Maysville Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2005*

	Primary Government	Component Unit
	Governmental Activities	Foxfire Center for Student Success
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$7,474,781	\$289,094
Cash and Cash Equivalents in Segregated Accounts	1,226	0
Accounts Receivable	17,386	0
Due from Component Unit	3,500	0
Intergovernmental Receivable	246,980	47,955
Accrued Interest Receivable	11,880	0
Prepaid Items	2,854	0
Inventory Held for Resale	11,376	0
Materials and Supplies Inventory	3,216	0
Property Taxes Receivable	3,997,862	0
Nondepreciable Capital Assets	785,750	0
Depreciable Capital Assets, Net	34,810,512	0
<i>Total Assets</i>	<u>47,367,323</u>	<u>337,049</u>
<b>Liabilities</b>		
Matured Sick Leave Benefits Payable	27,480	0
Matured Retirement Incentive Payable	8,865	0
Accounts Payable	45,638	0
Due to Primary Government	0	3,500
Accrued Wages and Benefits Payable	1,926,066	39,298
Accrued Interest Payable	17,310	0
Vacation Benefits Payable	76,379	0
Intergovernmental Payable	501,493	6,537
Deferred Revenue	2,147,178	9,510
Claims Payable	198,000	0
Long-Term Liabilities:		
Due Within One Year	260,940	0
Due In More Than One Year	4,660,119	16,626
<i>Total Liabilities</i>	<u>9,869,468</u>	<u>75,471</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	31,537,484	0
Restricted for:		
Capital Projects	2,290,176	0
Debt Service	470,464	0
Budget Stabilization	52,606	0
Bus Purchase	25,104	0
Other Purposes	1,036,109	47,898
Unrestricted	2,085,912	213,680
<i>Total Net Assets</i>	<u>\$37,497,855</u>	<u>\$261,578</u>

See accompanying notes to the basic financial statements

**Maysville Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,443,878	\$963,551	\$368,187	\$0
Special	1,533,182	0	881,758	0
Vocational	125,684	0	37,412	0
Support Services:				
Pupil	736,679	0	116,550	0
Instructional Staff	1,601,341	4,206	628,746	0
Board of Education	76,256	0	0	0
Administration	1,570,728	0	131,787	0
Fiscal	332,748	0	0	0
Operation and Maintenance of Plant	1,676,879	197,519	2,670	0
Pupil Transportation	845,281	1,513	11,630	25,104
Central	70,859	0	26,715	0
Operation of Non-Instructional Services:				
Food Service Operations	848,117	386,802	389,618	0
Other	21,982	6,143	13,218	0
Extracurricular Activities	483,339	184,596	0	0
Internal Service Fund - External Portion	50,625	52,639	0	0
Interest and Fiscal Charges	242,705	0	0	0
<i>Total Primary Government</i>	<u>\$18,660,283</u>	<u>\$1,796,969</u>	<u>\$2,608,291</u>	<u>\$25,104</u>
<b>Component Unit</b>				
Foxfire Center for Student Success	\$702,480	\$0	\$595,819	\$0

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Debt Service  
    Classroom Facilities Maintenance  
Grants and Entitlements not Restricted  
    to Specific Programs  
Investment Earnings  
Gain from Sale of Capital Asset  
Miscellaneous

*Total General Revenues*

*Change in Net Assets*

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Component Unit
(\$7,112,140)	\$0
(651,424)	0
(88,272)	0
(620,129)	0
(968,389)	0
(76,256)	0
(1,438,941)	0
(332,748)	0
(1,476,690)	0
(807,034)	0
(44,144)	0
(71,697)	0
(2,621)	0
(298,743)	0
2,014	0
(242,705)	0
(14,229,919)	0
0	(106,661)
3,040,313	0
325,185	0
62,544	0
9,620,285	208,442
215,797	3,477
4,262	0
7,548	0
13,275,934	211,919
(953,985)	105,258
38,451,840	156,320
\$37,497,855	\$261,578

**Maysville Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,999,406	\$2,280,376	\$1,347,876	\$6,627,658
Cash and Cash Equivalents in Segregated Accounts	0	0	1,226	1,226
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	77,710	0	0	77,710
Accounts Receivable	13,115	0	4,271	17,386
Interfund Receivable	80,775	0	0	80,775
Due from Component Unit	3,500	0	0	3,500
Intergovernmental Receivable	7,028	0	239,952	246,980
Accrued Interest Receivable	0	11,880	0	11,880
Prepaid Items	136,790	0	12,803	149,593
Inventory Held for Resale	0	0	11,376	11,376
Materials and Supplies Inventory	2,467	0	749	3,216
Property Taxes Receivable	3,541,919	0	455,943	3,997,862
<b>Total Assets</b>	<b>\$6,862,710</b>	<b>\$2,292,256</b>	<b>\$2,074,196</b>	<b>\$11,229,162</b>
<b>Liabilities</b>				
Matured Sick Leave Benefits Payable	\$27,480	\$0	\$0	\$27,480
Matured Retirement Incentive Payable	8,865	0	0	8,865
Accounts Payable	17,577	2,080	791	20,448
Accrued Wages and Benefits	1,740,050	0	186,016	1,926,066
Interfund Payable	0	0	80,775	80,775
Deferred Revenue	2,532,703	0	332,698	2,865,401
Intergovernmental Payable	411,484	0	90,009	501,493
<b>Total Liabilities</b>	<b>4,738,159</b>	<b>2,080</b>	<b>690,289</b>	<b>5,430,528</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	23,962	51,483	90,258	165,703
Reserved for Budget Stabilization	52,606	0	0	52,606
Reserved for Bus Purchase	25,104	0	0	25,104
Reserved for Property Taxes	1,031,717	0	145,487	1,177,204
Unreserved:				
Undesignated, Reported in:				
General Fund	991,162	0	0	991,162
Special Revenue Funds	0	0	841,557	841,557
Debt Service Fund	0	0	306,605	306,605
Capital Projects Funds	0	2,238,693	0	2,238,693
<b>Total Fund Balances</b>	<b>2,124,551</b>	<b>2,290,176</b>	<b>1,383,907</b>	<b>5,798,634</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,862,710</b>	<b>\$2,292,256</b>	<b>\$2,074,196</b>	<b>\$11,229,162</b>

See accompanying notes to the basic financial statements

**Maysville Local School District, Ohio**  
*Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets  
June 30, 2005*

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**Total Governmental Fund Balances** \$5,798,634

*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. 35,596,262

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

Property Taxes Receivable	673,480	
Intergovernmental Receivable	29,270	
Reimbursements from the Component Unit	3,500	
Student Fees	<u>11,973</u>	718,223

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. 399,484

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. (17,310)

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. (76,379)

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

Bonds Payable	(3,935,000)	
Capital Leases Payable	(123,778)	
Sick Leave Benefits	(842,281)	
Retirement Incentive Payable	<u>(20,000)</u>	<u>(4,921,059)</u>

Net Assets of Governmental Activities \$37,497,855

See accompanying notes to the basic financial statements

**Maysville Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,147,282	\$0	\$410,206	\$3,557,488
Intergovernmental	10,277,296	0	1,938,440	12,215,736
Interest	0	195,260	32,884	228,144
Tuition and Fees	824,840	0	147,475	972,315
Extracurricular Activities	0	0	184,596	184,596
Rent	37,635	0	0	37,635
Charges for Services	154,020	0	389,166	543,186
Contributions and Donations	2,000	590	6,084	8,674
Miscellaneous	7,548	0	0	7,548
<b>Total Revenues</b>	<b>14,450,621</b>	<b>195,850</b>	<b>3,108,851</b>	<b>17,755,322</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,294,569	0	544,739	7,839,308
Special	1,182,644	0	283,283	1,465,927
Vocational	105,776	0	0	105,776
Support Services:				
Pupils	602,271	0	110,652	712,923
Instructional Staff	777,811	0	603,534	1,381,345
Board of Education	76,256	0	0	76,256
Administration	1,416,620	0	67,862	1,484,482
Fiscal	331,021	0	0	331,021
Operation and Maintenance of Plant	1,543,212	8,030	27,416	1,578,658
Pupil Transportation	760,237	8,360	11,884	780,481
Central	32,109	0	24,078	56,187
Operation of Non-Instructional Services:				
Food Service Operations	0	0	714,249	714,249
Other Non-Instructional Services	3,017	0	18,965	21,982
Extracurricular Activities	209,574	0	182,607	392,181
Capital Outlay	0	49,103	0	49,103
Debt Service:				
Principal Retirement	88,939	0	140,000	228,939
Interest and Fiscal Charges	12,269	0	230,941	243,210
<b>Total Expenditures</b>	<b>14,436,325</b>	<b>65,493</b>	<b>2,960,210</b>	<b>17,462,028</b>
Excess of Revenues Over (Under) Expenditure	14,296	130,357	148,641	293,294
<b>Other Financing Source</b>				
Proceeds from Sale of Capital Assets	4,262	0	0	4,262
Net Change in Fund Balances	18,558	130,357	148,641	297,556
Fund Balances Beginning of Year - Restated (Note 3)	2,105,993	2,159,819	1,235,266	5,501,078
Fund Balances End of Year	<u>\$2,124,551</u>	<u>\$2,290,176</u>	<u>\$1,383,907</u>	<u>\$5,798,634</u>

See accompanying notes to the basic financial statements

**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, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** \$297,556

*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	31,151	
Depreciation Expense	(1,467,414)	(1,436,263)

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 and the gain on the sale of capital assets.

Gain on the Sale of Capital Assets	4,262	
Proceeds from the Sale of Capital Assets	(4,262)	0

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

Interest	(12,347)	
Reimbursements from the Component Unit	3,500	
Student Fees	3,098	
Grants	29,270	
Delinquent Taxes	(129,446)	(105,925)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 228,939

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 505

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.

Vacation Benefits Payable	(14,793)	
Retirement Incentive Payable	(10,000)	
Sick Leave Benefits	5,429	(19,364)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 80,567

*Change in Net Assets of Governmental Activities* (\$953,985)

See accompanying notes to the basic financial statements

**Maysville Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$3,102,457	\$3,074,906	\$3,308,140	\$233,234
Intergovernmental	10,462,751	10,490,302	10,281,893	(208,409)
Tuition and Fees	801,092	801,092	824,700	23,608
Rent	15,980	15,980	37,635	21,655
Charges for Services	154,020	154,020	154,020	0
Contributions and Donations	0	0	2,000	2,000
Miscellaneous	9,200	9,200	11,232	2,032
<i>Total Revenues</i>	14,545,500	14,545,500	14,619,620	74,120
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,521,350	6,919,851	6,736,706	183,145
Special	1,210,780	1,210,780	1,199,694	11,086
Vocational	162,205	162,205	117,057	45,148
Other	610,214	610,214	625,062	(14,848)
<b>Support Services:</b>				
Pupils	536,176	536,176	602,946	(66,770)
Instructional Staff	770,412	770,412	813,212	(42,800)
Board of Education	63,915	63,915	71,498	(7,583)
Administration	1,499,155	1,500,655	1,378,959	121,696
Fiscal	342,270	342,270	333,431	8,839
Operation and Maintenance of Plant	1,437,012	1,437,012	1,552,856	(115,844)
Pupil Transportation	715,713	715,713	768,830	(53,117)
Central	49,802	49,801	36,347	13,454
Non-Instructional Services	5,000	5,000	3,017	1,983
Extracurricular Activities	192,540	192,540	205,207	(12,667)
<i>Total Expenditures</i>	14,116,544	14,516,544	14,444,822	71,722
<i>Excess of Revenues Over Expenditures</i>	428,956	28,956	174,798	145,842
<b>Other Financing Sources and (Uses)</b>				
Proceeds from Sale of Capital Assets	4,000	4,000	4,262	262
Transfers Out	(200,000)	(200,000)	0	200,000
Advances In	50,700	50,700	50,700	0
Advances Out	0	0	(53,775)	(53,775)
<i>Total Other Financing Sources and (Uses)</i>	(145,300)	(145,300)	1,187	146,487
<i>Net Change in Fund Balance</i>	283,656	(116,344)	175,985	292,329
<i>Fund Balance Beginning of Year</i>	2,515,770	2,765,425	2,765,425	0
<i>Prior Year Encumbrances Appropriated</i>	126,372	110,022	110,022	0
<i>Fund Balance End of Year</i>	\$2,925,798	\$2,759,103	\$3,051,432	\$292,329

See accompanying notes to the basic financial statements

**Maysville Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2005*

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	Self- Insurance
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$769,413
<b>Current Liabilities</b>	
Accounts Payable	25,190
Deferred Revenue	146,739
Claims Payable	198,000
<i>Total Liabilities</i>	<u>369,929</u>
<b>Net Assets</b>	
Unrestricted	<u>\$399,484</u>

See accompanying notes to the basic financial statements

**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, 2005*

	Self- Insurance
<b>Operating Revenues</b>	
Charges for Services	\$2,105,571
<b>Operating Expenses</b>	
Purchased Services	273,926
Claims	1,751,078
<i>Total Operating Expenses</i>	2,025,004
<i>Operating Income</i>	80,567
<i>Net Assets at Beginning of Year</i>	318,917
<i>Net Assets at End of Year</i>	\$399,484

See accompanying notes to the basic financial statements

**Maysville Local School District, Ohio**

*Statement of Cash Flows*

*Internal Service Fund*

*For the Fiscal Year Ended June 30, 2005*

	<u>Self- Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$2,114,221
Cash Payments for Services	(273,926)
Cash Payments for Claims	<u>(1,671,888)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>168,407</u>
<i>Net Increase in Cash and Cash Equivalents</i>	168,407
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>601,006</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$769,413</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$80,567
<b>Changes in Assets and Liabilities</b>	
Increase in Accounts Payable	25,190
Increase in Deferred Revenue	8,650
Increase in Claims Payable	<u>54,000</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$168,407</u></u>

See accompanying notes to the basic financial statements

**Maysville Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2005*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$40,043
Cash and Cash Equivalents in Segregated Accounts	<u>949</u>
<i>Total Assets</i>	<u><u>\$40,992</u></u>
<b>Liabilities</b>	
Due to Students	\$40,043
Undistributed Monies	<u>949</u>
<i>Total Liabilities</i>	<u><u>\$40,992</u></u>

See accompanying notes to the basic financial statements

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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 105 classified employees, 141 certificated full-time teaching personnel, and 12 administrative employees who provide services to 2,198 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.

**Discretely Presented Component Units** The component unit information on the Statement of Net Assets and the Statement of Activities identifies the financial data of the School District's Component Unit, Foxfire Center for Student Success. It is reported separately to emphasize that it is legally separate from the School District.

**Foxfire Center for Student Success** The Foxfire Center for Student Success (the Center) is a legally separate community school created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Center's mission, under a contractual agreement with the School District (the Center's sponsor), is to help at-risk students meet Ohio's graduation requirements. The Center focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Center serves high school age students and above who have dropped out or are at risk of dropping out of school. A particular emphasis is placed on assisting parenting and/or pregnant students obtain a high school diploma.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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The Board of Directors is appointed as follows: three representatives from the School District and two representatives of the Muskingum County community. The School District is able to impose its will on the Center. The School District can suspend the Center's operations for any of the following reasons: 1) The Center's failure to meet student performance requirements stated in its contract with the School District, 2) The Center's failure to meet generally accepted standards of fiscal management, 3) The Center's violation of any provisions of the contract with the School District or applicable state or federal law, and 4) Other good cause. Separately issued financial statements can be obtained from the Foxfire Center for Student Success, PO Box 1818, Zanesville, Ohio 43702.

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 17 and 18 to the general purpose financial statements.

**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 and to its internal service fund provided those pronouncements 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.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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.

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, 2005*

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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, 2005, but which were levied to finance fiscal year 2006 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 are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as equity in pooled cash and cash equivalents on the financial statements.

The School District has segregated bank accounts for the payroll and athletic accounts. These checking accounts are presented on the financial statements as cash and cash equivalents in segregated accounts since they are kept separate from the School District treasury.

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR-Ohio), negotiable certificate of deposit, non-negotiable certificates of deposit, and federal agency securities. Investments in federal agency securities are stated at fair value based on quoted market prices. STAROhio 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, 2005.

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 2005 amounted to \$195,260, which includes \$135,111 assigned from other School District funds.

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.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an 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. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition 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.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**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 externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent the amount required by State statute to be set aside to create a reserve for budget stabilization. See Note 20 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.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave benefits payable" in the funds from which these payments will be made.

**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, budget stabilization, and bus purchases.

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*  
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**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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net assets reports \$3,874,459 of restricted net assets, of which \$1,104,636 is restricted by enabling legislation.

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*  
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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**

For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, GASB Technical Bulletin No. 2004-02, “Recognition of Pension and Other Postemployment Benefit Expenditures/ Expenses and Liabilities by Cost Sharing Employers”, and early-implemented GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”.

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 “Deposits and Investments” for the required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/ expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation affected the fund balances of governmental funds, but had no effect on net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund Balances, June 30, 2004	\$2,259,719	\$2,159,819	\$1,270,327	\$5,689,865
GASB Technical Bulletin 2004-02 Restatement	<u>(153,726)</u>	<u>0</u>	<u>(35,061)</u>	<u>(188,787)</u>
Restated Fund Balances, June 30, 2004	<u><u>\$2,105,993</u></u>	<u><u>\$2,159,819</u></u>	<u><u>\$1,235,266</u></u>	<u><u>\$5,501,078</u></u>

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

The following funds had a deficit fund balance at June 30, 2005.

<u>Special Revenue Funds</u>	<u>Deficit Fund Balances</u>
Food Service	\$51,353
Public Preschool	7,611
DPIA	400
Ohio Reads	2,770
Summer Intervention	2,947
Chapter II	399
Class Size Reduction	10,596

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.

**B. Legal Compliance**

The following funds had final appropriations in excess of estimated resources plus available balances for the year ended June 30, 2005 contrary to section 5705.39, Ohio Revised Code.

<u>Special Revenue Fund:</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Ohio Reads	\$12,475	\$12,685	(\$210)
Drug Free Schools	13,875	13,939	(64)

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

**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).

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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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 table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
GAAP Basis	\$18,558
Net Adjustment for Revenue Accruals	168,999
Net Adjustment for Expenditure Accruals	21,941
Beginning:	
Prepaid Items	132,036
Ending:	
Prepaid Items	(136,790)
Advances In	50,700
Advances Out	(53,775)
Adjustment for Encumbrances	(25,684)
	<u>\$175,985</u>
Budget Basis	<u>\$175,985</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute 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.

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 passbook accounts.

Interim monies held by the School District can 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;

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,574,456 of the School District's bank balance of \$5,975,682 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all 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 FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments:** As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Federal National Mortgage Association Notes	\$496,405	12/28/2009
Federal Home Loan Bank Bonds	700,000	5/26/2009
Federal Home Loan Bank Notes	149,907	12/30/2009
Negotiable Certificate of Deposit	98,522	8/3/2007
STAROhio	81,909	33 Days
Total	\$1,526,743	

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The Federal National Mortgage Association Notes, the Federal Home Loan Bank Bonds, and the Federal Home Loan Bank Notes carry a rating of AAA by Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, the Federal Home Loan Bank Bonds, the Federal Home Loan Bank Notes, and the negotiable certificate of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 33% is invested in Federal National Mortgage Association Notes, 46% is invested in Federal Home Loan Bank Bonds, and 10% is invested in Federal Home Loan Bank Notes.

**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 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2004, were levied after April 1, 2004, 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 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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, 2005, are available to finance fiscal year 2005 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, 2005 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, 2005, was \$1,177,204. \$1,031,717 was available to the General Fund, \$122,291 was available to the Bond Retirement Debt Service Fund, and \$23,196 was available to the Classroom Facilities Maintenance Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes and the amount available as an advance have been recorded as a receivable and revenue while the rest of the receivable is deferred. On a modified basis, only the amount available as an advance is recognized as revenue.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$110,430,980	84.47%	\$120,541,344	84.62%
Public Utility	6,256,290	4.79%	6,392,710	4.49%
Tangible Personal Property	14,048,005	10.75%	15,502,966	10.88%
Total Assessed Value	<u>\$130,735,275</u>	<u>100.00%</u>	<u>\$142,437,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.65		\$40.45	

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2005, consisted of property 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:

<b>Governmental Activities</b>	<u>Amounts</u>
CAFS Reimbursement	\$7,028
Preschool Grant	7,547
Student Intervention Grant	1,818
Title VI-B Grant	110,570
Chapter I Grant	3,358
Chapter II Grant	10,469
Drug Free Schools Grant	8,093
Title II-A Grant	16,066
Service Learning Grant	212
Title II-D Grant	9,495
21st Century Grant	58,026
Homeland Security Grant	<u>14,298</u>
Total	<u><u>\$246,980</u></u>

**Maysville Local School District, Ohio**  
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**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
<b>Nondepreciable Capital Assets</b>				
Land	\$785,750	\$0	\$0	\$785,750
Total Capital Assets Not Being Depreciated	<u>785,750</u>	<u>0</u>	<u>0</u>	<u>785,750</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,664,476	0	0	1,664,476
Buildings and Improvements	36,301,415	26,051	0	36,327,466
Furniture and Equipment	3,456,168	5,100	0	3,461,268
Vehicles	1,249,428	0	(84,783)	1,164,645
Total at Historical Cost	<u>42,671,487</u>	<u>31,151</u>	<u>(84,783)</u>	<u>42,617,855</u>
Less Accumulated Depreciation				
Land Improvements	(410,192)	(79,875)	0	(490,067)
Buildings and Improvements	(3,749,660)	(880,684)	0	(4,630,344)
Furniture and Equipment	(1,295,820)	(435,638)	0	(1,731,458)
Vehicles	(969,040)	(71,217)	84,783	(955,474)
Total Accumulated Depreciation	<u>(6,424,712)</u>	<u>(1,467,414) *</u>	<u>84,783</u>	<u>(7,807,343)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>36,246,775</u>	<u>(1,436,263)</u>	<u>0</u>	<u>34,810,512</u>
Governmental Activities Capital Assets, Net	<u>\$37,032,525</u>	<u>(\$1,436,263)</u>	<u>\$0</u>	<u>\$35,596,262</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$622,339
Special	102,437
Vocational	18,979
Support Services:	
Pupil	23,318
Instructional Staff	225,459
Administration	73,687
Fiscal	4,209
Operation and Maintenance	79,309
Pupil Transportation	71,217
Central	14,366
Extracurricular	92,905
Food Service Operations	<u>139,189</u>
Total Depreciation Expense	<u>\$1,467,414</u>

**Maysville Local School District, Ohio**  
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**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 2005, 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 (\$5,000 deductible)	\$43,700,205
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	75,000
Extra Expense	10,000
Valuable Papers and Records (\$100 deductible)	100,000
Accounts Receivable	50,000
Depositors Forger	100,000
Public Employee Dishonesty	100,000
Money & Securities -Inside	25,000
Employee Benefit Liability (\$1,000 deductible)	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Employers Liability	1,000,000
Fleet Insurance (\$1,000 deductible)	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
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 2005, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18) 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 \$198,000 reported in the Internal Service Fund at June 30, 2005, 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*  
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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>
2004	\$194,000	\$1,312,759	\$1,362,759	\$144,000
2005	144,000	1,751,078	1,697,078	198,000

**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 43215-3476.

Plan members are required to contribute 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003, were \$275,126, \$213,318, and \$167,263, respectively; 50 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$138,734 represents the unpaid contribution for fiscal year 2005.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio 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 Ohio issues a publicly available, stand alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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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, 2005, plan members were required to contribute 10 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. For fiscal year 2004, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$978,171, \$906,997, and \$805,097; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$18 made by the School District and \$11,009 made by the plan members. \$168,729 represents the unpaid contribution for fiscal year 2005.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio, (STRS Ohio), 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.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$75,245 for fiscal year 2005.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay has been established as \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$135,848.

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, 2004, (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 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. Balances are to be used by employees within the same year that they are 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.

**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 30<sup>th</sup> year. The benefit will be paid in a lump sum payment in January following the effective fiscal year of retirement.

**Maysville Local School District, Ohio**  
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During fiscal year 2005, the School District paid \$10,000 in retirement incentives that were accrued as liabilities at June 30, 2004. At June 30, 2005 \$20,000 in retirement incentives were also accrued as liabilities.

During fiscal year 2005, the School District approved a one time retirement incentive plan as a benefit for classified employees. Each classified employee eligible for SERS retirement is eligible for the incentive. The incentive is equal to \$200 per year of service as documented by the employees most recent SERS benefit statement. The incentive will be paid in one lump sum payment following the effective date of retirement.

**NOTE 14 – CAPITALIZED LEASES**

The School District has entered into capitalized leases for copiers 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 are reflected as debt service expenditures in the basic financial statements for the governmental funds. The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	Amount
2006	\$50,040
2007	50,040
2008	37,531
Total	137,611
Less: Amount Representing Interest	(13,833)
Present Value of Net Minimum Lease Payments	\$123,778

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. Principal payments in fiscal year 2005 totaled \$88,939 in the governmental funds.

Property under Capital Lease	\$363,250
Less: Accumulated Depreciation	(226,958)
Total June 30, 2005	\$136,292

**Maysville Local School District, Ohio**  
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**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Principal Outstanding 6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2005</u>	<u>Due in One Year</u>
School Facilities Improvement General Obligation Bonds					
2000 3.8% - 5.679%	\$4,075,000	\$0	\$140,000	\$3,935,000	\$145,000
Capital Leases	212,717	0	88,939	123,778	42,045
Sick Leave Benefits	847,710	48,948	54,377	842,281	53,895
Retirement Incentive	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>	<u>20,000</u>	<u>20,000</u>
Total General Long-Term Obligations	<u>\$5,145,427</u>	<u>\$68,948</u>	<u>\$293,316</u>	<u>\$4,921,059</u>	<u>\$260,940</u>

The School District issued \$4,732,000 in 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.

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

School Facilities General Obligation Bonds

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$145,000	\$215,094
2007	155,000	208,041
2008	160,000	200,480
2009	170,000	192,393
2010	175,000	183,810
2011-2015	1,030,000	764,881
2016-2020	1,405,000	403,634
2021-2023	<u>695,000</u>	<u>39,620</u>
Total	<u>\$3,935,000</u>	<u>\$2,207,953</u>

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, Public Preschool, Title VI-B, Title I, Early Childhood, and Miscellaneous Federal Special Revenue Funds.

The School District's overall legal debt margin was \$9,313,228 with an unvoted debt margin of \$142,437 at June 30, 2005.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 16 - INTERFUND ACTIVITY**

Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

	Interfund Receivable
<u>Interfund Payable</u>	General Fund
Food Service	\$27,000
Title VI-B	26,333
Drug Free Schools Grant	5,036
Title VI-R Grant	2,355
Miscellaneous Federal	20,051
	\$80,775

In previous fiscal years, the School District made advances in the amount of \$27,000 from the General Fund to the Food Service Special Revenue Fund for operations. During fiscal year 2005, the School District advanced \$53,775 from the General Fund for grant monies not received as of June 30, 2005. All advances will be repaid in fiscal year 2006.

**NOTE 17- 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, private schools, 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 2005 were \$24,674. 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 Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center 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 Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2005, the School District made no contributions to the Center.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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 2005.

**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 2005, the Board consisted of fourteen members. In fiscal year 2005, Maysville Local School District obtained active membership privileges and paid a membership fee of \$588.

**NOTE 18 – 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 OASBO. 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 19 - 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, 2005.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**B. Litigation**

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

**NOTE 20 - 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.

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 workers' 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, 2004	(\$373,983)	(\$5,101,727)	\$52,606
Current Year Set-aside Requirement	316,681	316,681	0
Current Year Offsets	0	(211,795)	0
Qualifying Disbursements	(244,463)	(154,837)	0
Total	(\$301,765)	(\$5,151,678)	\$52,606
Balance Carried Forward to FY 2005	(\$301,765)	(\$4,808,790)	\$52,606
Cash Balances to Carry Forward to FY 2005	\$0	\$0	\$52,606

The School District had qualifying disbursements and offsets during the fiscal year that further 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 21 – FOXFIRE CENTER FOR STUDENT SUCCESS**

**A. Description of the School**

The Foxfire Center for Student Success (the Center) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Center's tax exempt status. The Center's mission is to help at-risk students meet Ohio's graduation requirements. The Center focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Center serves high school age students and above who have dropped out or are at risk of dropping out of school. A particular emphasis is placed on assisting parents and/or pregnant students obtain a high school diploma.

The Center was created on September 3, 2003 by entering a four year contract with the Maysville Local School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor completing the role of Treasurer for the Center.

The Center operates under the direction of a five-member Board of Directors made up of three-members from the Maysville Local School District and two-members from the public. The two public members represent the interest of the Muskingum County community. The Board of Directors approves the Center's staff of five noncertified and four certificated full time teaching personnel who provide services to 103 students. The Center is a component unit of the Sponsor. The sponsor appoints a majority of the board and is able to impose its will on the Center. The Sponsor can suspend the Center's operations for any of the following reasons: 1) The Center's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Center's failure to meet generally accepted standards of fiscal management, 3) The Center's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Center and the students it serves. The Center used the facilities of the Sponsor.

**B. Summary of Significant Accounting Policies**

The financial statements of the Center have been prepared in conformity with generally accepted accounting principals (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 Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Center's accounting policies are described below.

**Basis of Presentation**

The Center's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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The Center uses a single enterprise fund to present its financial records for the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

**Measurement Focus and Basis of Accounting**

**Fund Financial Statements**

The enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Center are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Center finances meet its cash flow needs.

The Center's financial statements are prepared using the accrual basis of accounting.

**Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Center's contract with its Sponsor. The contract between the Center and its Sponsor does not prescribe an annual budget requirement in addition to preparing a 5-year forecast, which is updated on an annual basis.

**Cash and Cash Equivalents**

Cash received by the Center is reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets. Investments with original maturities of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2005, the Center had no investments.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net assets reports \$47,898 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include federal grants restricted to expenditures for specified purposes.

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

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Restricted Assets**

There are certain resources set aside due to restricted state and federal grant funding.

**Operating Revenues and Expenses**

The Center currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

The Center also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Center was awarded \$150,000 to offset start-up costs of the Center. Revenue received from this program is recognized as non-operating revenue on the basic financial statements.

Other operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

**Compensated Absences**

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 Center 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 Center's termination policy. The Center records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the Center or the Sponsor. At June 30, 2005 the Center had \$16,626 in an outstanding compensated absences liability.

**C. Changes in Accounting Principle**

For the fiscal year ended June 30, 2005, the Center has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/ Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 4 "Deposits and Investments" for the required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/ expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation had no effect on net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**D. Deposits**

The Center follows the same State statutes as disclosed in Note 6 of the primary government. At fiscal year end, the \$199,304 of the Center's bank balance of \$299,304 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**E. Intergovernmental Receivable**

Receivables at June 30, 2005, consisted of intergovernmental grants. All receivables are considered collectible in full due to 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>
<b>Business-Type Activities</b>	
Chapter II	\$45
Drug Free Schools Grant	12
Ohio Public Charter School Program	<u>47,898</u>
Total	<u><u>\$47,955</u></u>

**F. Defined Benefit Pension Plans**

The Center participates in the School Employees Retirement System of Ohio (SERS) and the State Teachers Retirement System of Ohio (STRS) as discussed in Note 11 of the primary government. The Center's required contributions for pension obligations to SERS for fiscal year 2005 were \$7,936. The Center's required contributions for pension obligations to STRS for fiscal year 2005 were \$26,319.

**G. Postemployment Benefits**

The Center provides comprehensive health care benefits through the State Teachers Retirement System of Ohio, (STRS), and the School Employees Retirement System of Ohio (SERS) as discussed in Note 12 of the primary government. During fiscal year 2005, the Center contributed \$2,025 to STRS Ohio for health care benefits and \$3,924 to SERS for health care benefits.

**H. Employee Benefits**

**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.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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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.

**Life Insurance**

The Sponsor provides the Center 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.

**Retirement Incentive**

The certified and classified employees of the Center are eligible to receive the retirement incentives discussed in Note 13 of the primary government. During fiscal year 2005, the Center did not make any retirement incentive payments and no retirement incentives were accrued as liabilities at fiscal year end

**I. Risk Management**

The Center is exposed to various risks of loss related to torts; error and omissions; and natural disasters. During fiscal year 2005, the Center contracted with Utica National Insurance Group for liability insurance.

During fiscal year 2005, the Center paid the Sponsor a monthly premium for workers' compensation coverage.

The Sponsor offers medical, dental, and vision insurance to employees through their self-insurance internal service fund. The Sponsor charges the Center monthly premiums. The Sponsor's fiscal agent pays the claims on the Center's behalf.

**J. Related Party Transactions**

Of the five member board of the Center, Maysville Local School District, Sponsor, appoints three-members. The Center is presented as a component unit of the Sponsor. The Sponsor provides payroll services to the Center.

During fiscal year 2005, the Center paid the Sponsor \$1,500 per full time equivalent student to cover administrative services and maintenance services provided by the Sponsor.

**K. Contingencies**

**Grants**

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 Center at June 30, 2005.

**Maysville Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18, 2003. On August 24, 2004 the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any on the Center is not presently determinable.

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**MAYSVILLE LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Noncash Receipts	Cash Disbursements	Noncash Disbursements
<b><u>U.S. Department of Agriculture</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation Program	N/A	10.550	\$	\$62,572	\$	\$62,572
National School Breakfast Program	48860-05PU-04/05	10.553	45,485		45,485	
National School Lunch Program	48850-LLP4-04/05	10.555	306,105		306,105	
Total Nutrition Cluster			<u>351,590</u>	<u>62,572</u>	<u>351,590</u>	<u>62,572</u>
Total U.S. Department of Agriculture			351,590	62,572	351,590	62,572
<b><u>U.S. Department of Education</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Grants to Local Educational Agencies	48850-C1-S1-05	84.010	467,788		427,545	
	48850-C1-S1-04	84.010			1,407	
Total Title I - Grants to Local Educational Agencies			<u>467,788</u>	<u>0</u>	<u>428,952</u>	<u>0</u>
Special Education - Grants to States	48850-6B-SF-05	84.027	338,284		364,617	
	48850-6B-SF-04	84.027			1,056	
Total Special Education - Grants to States			<u>338,284</u>	<u>0</u>	<u>365,673</u>	<u>0</u>
Safe and Drug Free School and Communities Grant	48850-DR-S1-05	84.186	5,846		10,882	
	48850-DR-S1-04	84.186			2,895	
Total Safe and Drug Free School and Communities Grant			<u>5,846</u>	<u>0</u>	<u>13,777</u>	<u>0</u>
State Grants for Innovative Programs	48850-C2-S1-05	84.298	9,679		9,679	
Education Technology State Grants	48850-TJ-S1-05	84.318	2,611		12,106	
Improving Teacher Quality State Grants	48850-TR-S1-05	84.367	89,529		91,883	
Twenty-First Century Community Learning Centers	48850-T1-S1-05	84.287	135,394		138,804	
	48850-T1-S1-04	84.287			36,909	
Total Twenty-First Century Community Learning Centers			<u>135,394</u>	<u>0</u>	<u>175,713</u>	<u>0</u>
Total U.S. Department of Education			1,049,131	0	1,097,783	0
<b><u>Corporation for National and Community Service</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America - School and Community Based Programs	48843-SV-HS-05	94.004	11,494		18,428	
	48843-SV-S1-05	94.004	9,788		10,000	
	48843-SV-S4-03	94.004			881	
Total Learn and Serve America - School and Community Based Programs			<u>21,282</u>	<u>0</u>	<u>29,309</u>	<u>0</u>
Total Corporation for National and Community Service			21,282	0	29,309	0
<b><u>U.S. Department of Health and Human Services</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program - SCHIP	N/A	93.767	1,050		1,050	
Medical Assistance Program - CAFS	N/A	93.778	20,487		20,487	
Total U.S. Department of Health and Human Services			<u>21,537</u>	<u>0</u>	<u>21,537</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,443,540</u></b>	<b><u>\$62,572</u></b>	<b><u>\$1,500,219</u></b>	<b><u>\$62,572</u></b>

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity 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 that federal monies are expended first.



## Auditor of State Betty Montgomery

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

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, the discretely presented component unit, and the remaining fund information of the Maysville Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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. In a separate letter to the School District's management dated February 3, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated February 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

**Betty Montgomery**  
Auditor of State

February 3, 2006



## Auditor of State Betty Montgomery

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

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 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 apply to each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures 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 each of its major federal programs for the year ended June 30, 2005.

#### Internal Control over Compliance

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

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Maysville Local School District  
Muskingum County  
Independent Accountants' Report on Compliance with Requirements Applicable  
to Each Major Federal Program and on 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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 3, 2006

**MAYSVILLE LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education; Grants to States CFDA #84.027 Nutrition Cluster, CFDA's # 10.550, #10.553;#10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**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 14, 2006**