



Mary Taylor, CPA
Auditor of State

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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Mary Taylor, CPA

Auditor of State

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 aggregate remaining fund information of the Maysville Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2006, 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, 2006, 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 8, 2007, 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 8, 2007

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of the Maysville Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- Net assets of governmental activities decreased \$104,437.
- General revenues accounted for \$14,211,034 in revenue or 76 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,556,839, 24 percent of total revenues of \$18,767,873.
- Total assets of governmental activities decreased \$453,189. The decrease was due to the increase in accumulated depreciation of \$1,406,177 which was offset by an increase in cash and cash equivalents of \$759,596.
- The School District had \$18,872,310 in expenses related to governmental activities; only \$4,556,839 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$14,211,034 were 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 \$15,089,355 in revenues, \$14,828,031 in expenditures, and (\$64,000) in other financing sources and uses. The general fund's balance increased \$197,324. The permanent improvement capital projects fund had \$273,416 in revenues and \$207,895 in expenditures. The permanent improvement's balance increased \$65,521.

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, 2006
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" 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 8. 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, 2006
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2006 compared to 2005.

Table I
Net Assets

	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets			
Current and Other Assets	\$12,547,720	\$11,771,061	\$776,659
Capital Assets	<u>34,366,414</u>	<u>35,596,262</u>	<u>(1,229,848)</u>
Total Assets	<u>46,914,134</u>	<u>47,367,323</u>	<u>(453,189)</u>
Liabilities			
Long-Term Liabilities	4,778,799	4,948,409	(169,610)
Other Liabilities	<u>4,741,917</u>	<u>4,921,059</u>	<u>(179,142)</u>
Total Liabilities	<u>9,520,716</u>	<u>9,869,468</u>	<u>(348,752)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	30,494,681	31,537,484	(1,042,803)
Restricted	3,979,627	3,874,459	105,168
Unrestricted	<u>2,919,110</u>	<u>2,085,912</u>	<u>833,198</u>
Total Net Assets	<u>\$37,393,418</u>	<u>\$37,497,855</u>	<u>(\$104,437)</u>

Total assets decreased \$453,189. The decrease was due to the increase in accumulated depreciation of \$1,406,177 which is offset by an increase in cash and cash equivalents of \$759,596. The increase in cash and cash equivalents is primarily due to an increase in state foundation revenue of \$260,234 and interest revenue in the permanent improvement capital projects fund of \$237,196.

Total liabilities decreased \$348,752. This decrease is primarily due to the School District making a principal payment of \$145,000 on their School Facilities Improvement General Obligation Bonds and a principal payment of \$42,045 on their capital leases during fiscal year 2006.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 and comparisons to fiscal year 2005.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services	\$1,890,364	\$1,796,969	\$93,395
Operating Grants, Contributions and Interest	2,630,884	2,608,291	22,593
Capital Grants and Contributions	35,591	25,104	10,487
	<u>4,556,839</u>	<u>4,430,364</u>	<u>126,475</u>
General Revenue			
Property Taxes	3,917,121	3,428,042	489,079
Grants and Entitlements	9,969,554	9,620,285	349,269
Investment Earnings	306,049	215,797	90,252
Gain on Sale of Capital Assets	1,000	4,262	(3,262)
Miscellaneous	17,310	7,548	9,762
	<u>14,211,034</u>	<u>13,275,934</u>	<u>935,100</u>
Total Revenues	<u>18,767,873</u>	<u>17,706,298</u>	<u>1,061,575</u>
Program Expenses			
Instruction			
Regular	8,327,220	8,443,878	(116,658)
Special	1,483,772	1,533,182	(49,410)
Vocational	169,186	125,684	43,502
Support Services			
Pupil	715,017	736,679	(21,662)
Instructional Staff	1,680,135	1,601,341	78,794
Board of Education	60,719	76,256	(15,537)
Administration	1,682,783	1,570,728	112,055
Fiscal	339,693	332,748	6,945
Operation and Maintenance of Plant	1,918,423	1,676,879	241,544
Pupil Transportation	773,657	845,281	(71,624)
Central	64,799	70,859	(6,060)
Operation of Non-Instructional Services			
Food Service Operations	873,293	848,117	25,176
Other	28,285	21,982	6,303
Extracurricular Activities	486,206	483,339	2,867
Internal Service Fund - External Portion	38,382	50,625	(12,243)
Interest and Fiscal Charges	230,740	242,705	(11,965)
Total Expenses	<u>18,872,310</u>	<u>18,660,283</u>	<u>212,027</u>
<i>Change in Net Assets</i>	(104,437)	(953,985)	849,548
Net Assets Beginning of Year	<u>37,497,855</u>	<u>38,451,840</u>	<u>(953,985)</u>
Net Assets End of Year	<u>\$37,393,418</u>	<u>\$37,497,855</u>	<u>(\$104,437)</u>

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. Only 24 percent of the governmental activities performed by the District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 76 percent is provided through taxes and entitlements.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The decrease in regular instruction expense is due to the School District purchasing math textbooks in fiscal year 2005 which did not occur during fiscal year 2006. In addition, during fiscal year 2005 two regular instruction teachers retired. During fiscal year 2006, one position was replaced with a teacher at a lower salary level and the other position was eliminated. The decrease in regular instruction is offset by an increase in operation and maintenance of plant in the amount of \$241,544. The increase in operation and maintenance expense is primarily due to the School District utilizing architectural services for the addition of eight new classrooms in the existing elementary building. These costs were not capitalized after the School District restructured their classrooms and determined the addition was not necessary in the current year or in the near future. In addition, gas utility costs increased approximately \$39,000 during fiscal year 2006.

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

	2006 Total Cost of Services	2006 Net Cost of Services	2005 Total Cost of Services	2005 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,327,220	\$7,008,676	\$8,443,878	\$7,112,140
Special	1,483,772	583,884	1,533,182	651,424
Vocational	169,186	128,016	125,684	88,272
Support Services:				
Pupil	715,017	620,630	736,679	620,129
Instructional Staff	1,680,135	1,029,031	1,601,341	968,389
Board of Education	60,719	60,719	76,256	76,256
Administration	1,682,783	1,529,623	1,570,728	1,438,941
Fiscal	339,693	301,573	332,748	332,748
Operation and Maintenance of Plant	1,918,423	1,699,519	1,676,879	1,476,690
Pupil Transportation	773,657	747,684	845,281	807,034
Central	64,799	40,769	70,859	44,144
Operation of Non-Instructional Services				
Food Service Operations	873,293	35,234	848,117	71,697
Other	28,285	11,105	21,982	2,621
Extracurricular Activities	486,206	305,209	483,339	298,743
Internal Service Fund - External Portion	38,382	(16,941)	50,625	(2,014)
Interest and Fiscal Charges	230,740	230,740	242,705	242,705
Totals	\$18,872,310	\$14,315,471	\$18,660,283	\$14,229,919

Instructional programs comprise approximately 53 percent of total governmental program expenses and support services makes up approximately 38 percent of the program expenses of the District.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 \$15,089,355, expenditures of \$14,828,031, and other financing sources and uses of (\$64,000). The permanent improvement capital projects fund had total revenues of \$273,416 and expenditures of \$207,895.

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 2006, 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 and other financing sources were \$14,929,672.

The School District's ending general fund budgetary balance was \$3,094,901.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$34,366,414 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2006 balances compared to 2005.

Table 4
Capital Assets at June 30, 2006
(Net of Depreciation)

	<u>Government Activities</u>	
	<u>2006</u>	<u>2005</u>
Land and Land Improvements	\$1,928,071	\$1,960,159
Buildings and Improvements	30,835,455	31,697,122
Furniture and Equipment	1,393,284	1,729,810
Vehicles	209,604	209,171
Totals	<u><u>\$34,366,414</u></u>	<u><u>\$35,596,262</u></u>

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

Debt

At June 30, 2006, the School District had \$3,871,733 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, 2006
Unaudited

Contacting the School District's Financial Management

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

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Maysville Local School District, Ohio

Statement of Net Assets

June 30, 2006

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Foxfire Center for Student Success</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$8,234,377	\$372,020
Cash and Cash Equivalents in Segregated Accounts	1,534	0
Accounts Receivable	21,060	1,550
Due from Component Unit	3,400	0
Intergovernmental Receivable	162,083	60,880
Accrued Interest Receivable	41,957	0
Prepaid Items	4,985	0
Inventory Held for Resale	7,317	0
Materials and Supplies Inventory	3,614	0
Property Taxes Receivable	4,067,393	0
Nondepreciable Capital Assets	785,750	0
Depreciable Capital Assets, Net	33,580,664	0
<i>Total Assets</i>	<u>46,914,134</u>	<u>434,450</u>
Liabilities		
Accounts Payable	31,722	647
Due to Primary Government	0	3,400
Accrued Wages and Benefits Payable	2,000,768	52,323
Accrued Interest Payable	16,776	0
Vacation Benefits Payable	79,763	0
Intergovernmental Payable	478,132	8,549
Deferred Revenue	2,001,920	0
Claims Payable	132,836	0
Long-Term Liabilities:		
Due Within One Year	263,886	0
Due In More Than One Year	4,514,913	17,891
<i>Total Liabilities</i>	<u>9,520,716</u>	<u>82,810</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	30,494,681	0
Restricted for:		
Capital Projects	2,372,855	0
Debt Service	496,336	0
Budget Stabilization	52,606	0
Bus Purchase	14,780	0
Classroom Facilities Maintenance	980,596	0
District Managed Activities	30,099	0
Other Purposes	32,355	0
Unrestricted	2,919,110	351,640
<i>Total Net Assets</i>	<u>\$37,393,418</u>	<u>\$351,640</u>

See accompanying notes to the basic financial statements

Maysville Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$8,327,220	\$1,019,298	\$278,638	\$20,608
Special	1,483,772	0	899,888	0
Vocational	169,186	0	41,170	0
Support Services:				
Pupil	715,017	0	94,387	0
Instructional Staff	1,680,135	18,914	632,190	0
Board of Education	60,719	0	0	0
Administration	1,682,783	0	153,160	0
Fiscal	339,693	0	38,120	0
Operation and Maintenance of Plant	1,918,423	205,459	13,242	203
Pupil Transportation	773,657	4,706	6,487	14,780
Central	64,799	0	24,030	0
Operation of Non-Instructional Services:				
Food Service Operations	873,293	397,796	440,263	0
Other	28,285	7,871	9,309	0
Extracurricular Activities	486,206	180,997	0	0
Internal Service Fund - External Portion	38,382	55,323	0	0
Interest and Fiscal Charges	230,740	0	0	0
<i>Total Primary Government</i>	<u>\$18,872,310</u>	<u>\$1,890,364</u>	<u>\$2,630,884</u>	<u>\$35,591</u>
Component Unit				
Foxfire Center for Student Success	<u>\$827,132</u>	<u>\$0</u>	<u>\$630,783</u>	<u>\$0</u>

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
(\$7,008,676)	0
(583,884)	0
(128,016)	0
(620,630)	0
(1,029,031)	0
(60,719)	0
(1,529,623)	0
(301,573)	0
(1,699,519)	0
(747,684)	0
(40,769)	0
(35,234)	0
(11,105)	0
(305,209)	0
16,941	0
(230,740)	0
(14,315,471)	0
0	(196,349)
3,490,027	0
355,497	0
71,597	0
9,969,554	278,648
306,049	7,763
1,000	0
17,310	0
14,211,034	286,411
(104,437)	90,062
37,497,855	261,578
\$37,393,418	\$351,640

Maysville Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2006

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,059,603	\$2,336,787	\$1,532,409	\$6,928,799
Cash and Cash Equivalents in Segregated Accounts	0	0	1,534	1,534
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	67,386	0	0	67,386
Accounts Receivable	20,836	0	224	21,060
Interfund Receivable	50,911	0	0	50,911
Due from Component Unit	3,400	0	0	3,400
Intergovernmental Receivable	35,463	0	126,620	162,083
Accrued Interest Receivable	0	36,068	5,889	41,957
Prepaid Items	4,751	0	234	4,985
Inventory Held for Resale	0	0	7,317	7,317
Materials and Supplies Inventory	2,550	0	1,064	3,614
Property Taxes Receivable	3,616,427	0	450,966	4,067,393
Total Assets	\$6,861,327	\$2,372,855	\$2,126,257	\$11,360,439
Liabilities				
Accounts Payable	\$28,318	\$0	\$3,404	\$31,722
Accrued Wages and Benefits	1,600,744	0	250,871	1,851,615
Interfund Payable	0	0	50,911	50,911
Deferred Revenue	2,513,449	17,158	320,931	2,851,538
Intergovernmental Payable	396,941	0	81,191	478,132
Total Liabilities	4,539,452	17,158	707,308	5,263,918
Fund Balances				
Reserved for Encumbrances	28,602	52,940	29,169	110,711
Reserved for Budget Stabilization	52,606	0	0	52,606
Reserved for Bus Purchase	14,780	0	0	14,780
Reserved for Property Taxes	1,123,888	0	152,606	1,276,494
Unreserved:				
Designated:				
Designated for Capital Improvements	153,928	0	0	153,928
Undesignated, Reported in:				
General Fund	948,071	0	0	948,071
Special Revenue Funds	0	0	916,523	916,523
Debt Service Fund	0	0	320,651	320,651
Capital Projects Funds	0	2,302,757	0	2,302,757
Total Fund Balances	2,321,875	2,355,697	1,418,949	6,096,521
Total Liabilities and Fund Balances	\$6,861,327	\$2,372,855	\$2,126,257	\$11,360,439

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, 2006*

Total Governmental Fund Balances	\$6,096,521
 <i>Amounts reported for governmental activities in the statement of net assets are different because of the following:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,366,414
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:	
Property Taxes Receivable	788,979
Accrued Interest Receivable	17,158
Intergovernmental Receivable	22,571
Reimbursements from the Component Unit	3,400
Student Fees	<u>17,510</u>
	849,618
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.	956,203
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.	(16,776)
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.	(79,763)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Bonds Payable	(3,790,000)
Capital Leases Payable	(81,733)
Sick Leave Benefits	(897,066)
Retirement Incentive Payable	<u>(10,000)</u>
	(4,778,799)
Net Assets of Governmental Activities	<u>\$37,393,418</u>

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, 2006

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,382,849	\$0	\$418,773	\$3,801,622
Intergovernmental	10,588,836	0	2,051,836	12,640,672
Interest	0	273,213	17,356	290,569
Tuition and Fees	894,776	0	150,476	1,045,252
Extracurricular Activities	0	0	180,997	180,997
Rent	51,884	0	0	51,884
Charges for Services	153,675	0	397,796	551,471
Contributions and Donations	25	203	150	378
Miscellaneous	17,310	0	0	17,310
Total Revenues	15,089,355	273,416	3,217,384	18,580,155
Expenditures				
Current:				
Instruction:				
Regular	7,361,485	0	586,587	7,948,072
Special	1,109,947	0	315,638	1,425,585
Vocational	152,971	0	0	152,971
Support Services:				
Pupils	628,215	0	96,489	724,704
Instructional Staff	778,897	0	728,613	1,507,510
Board of Education	60,719	0	0	60,719
Administration	1,579,516	0	117,487	1,697,003
Fiscal	336,888	0	0	336,888
Operation and Maintenance of Plant	1,719,148	21,004	39,090	1,779,242
Pupil Transportation	800,038	0	12,597	812,635
Central	21,792	0	28,772	50,564
Operation of Non-Instructional Services:				
Food Service Operations	0	0	749,492	749,492
Other Non-Instructional Services	2,836	0	25,449	28,285
Extracurricular Activities	225,539	0	178,849	404,388
Capital Outlay	0	186,891	0	186,891
Debt Service:				
Principal Retirement	42,045	0	145,000	187,045
Interest and Fiscal Charges	7,995	0	223,279	231,274
Total Expenditures	14,828,031	207,895	3,247,342	18,283,268
Excess of Revenues Over (Under) Expenditures:	261,324	65,521	(29,958)	296,887
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,000	0	0	1,000
Transfers In	0	0	65,000	65,000
Transfers Out	(65,000)	0	0	(65,000)
Total Other Financing Sources (Uses)	(64,000)	0	65,000	1,000
Net Change in Fund Balances	197,324	65,521	35,042	297,887
Fund Balances Beginning of Year	2,124,551	2,290,176	1,383,907	5,798,634
Fund Balances End of Year	\$2,321,875	\$2,355,697	\$1,418,949	\$6,096,521

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, 2006*

Net Change in Fund Balances - Total Governmental Funds \$297,887

*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	176,329	
Depreciation Expense	(1,406,177)	(1,229,848)

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	1,000	
Proceeds from the Sale of Capital Assets	(1,000)	0

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

Interest	17,158	
Reimbursements from the Component Unit	(100)	
Student Fees	5,537	
Grants	(6,699)	
Delinquent Taxes	115,499	131,395

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 187,045

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 534

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	(3,384)	
Retirement Incentive Payable	10,000	
Sick Leave Benefits	(54,785)	(48,169)

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. 556,719

Change in Net Assets of Governmental Activities (\$104,437)

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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$3,244,659	\$3,244,659	\$3,290,678	\$46,019
Intergovernmental	10,546,758	10,546,758	10,562,750	15,992
Tuition and Fees	842,480	842,480	894,576	52,096
Rent	46,325	46,325	51,884	5,559
Charges for Services	153,675	153,675	153,675	0
Contributions and Donations	25	25	25	0
Miscellaneous	13,641	13,641	18,310	4,669
<i>Total Revenues</i>	14,847,563	14,847,563	14,971,898	124,335
Expenditures				
Current:				
Instruction:				
Regular	6,891,292	6,936,292	6,738,102	198,190
Special	1,242,727	1,242,727	1,127,006	115,721
Vocational	123,095	123,095	142,134	(19,039)
Other	595,320	595,320	705,813	(110,493)
Support Services:				
Pupils	622,225	622,225	645,720	(23,495)
Instructional Staff	862,513	862,513	793,360	69,153
Board of Education	61,840	61,840	65,354	(3,514)
Administration	1,405,337	1,401,148	1,610,370	(209,222)
Fiscal	352,100	354,100	335,319	18,781
Operation and Maintenance of Plant	1,649,528	1,679,528	1,690,073	(10,545)
Pupil Transportation	866,315	866,315	813,340	52,975
Central	31,136	31,136	23,928	7,208
Non-Instructional Services	0	4,000	2,836	1,164
Extracurricular Activities	215,610	215,610	226,623	(11,013)
<i>Total Expenditures</i>	14,919,038	14,995,849	14,919,978	75,871
<i>Excess of Revenues Over (Under) Expenditures</i>	(71,475)	(148,286)	51,920	200,206
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,334	1,334	1,000	(334)
Transfers Out	0	(83,189)	(65,000)	18,189
Advances In	80,775	80,775	80,775	0
Advances Out	0	(50,000)	(50,911)	(911)
<i>Total Other Financing Sources (Uses)</i>	82,109	(51,080)	(34,136)	16,944
<i>Net Change in Fund Balance</i>	10,634	(199,366)	17,784	217,150
<i>Fund Balance Beginning of Year</i>	3,051,432	3,051,432	3,051,432	0
<i>Prior Year Encumbrances Appropriated</i>	25,685	25,685	25,685	0
<i>Fund Balance End of Year</i>	\$3,087,751	\$2,877,751	\$3,094,901	\$217,150

See accompanying notes to the basic financial statements

Maysville Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2006

	Self- Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,238,192
Current Liabilities	
Deferred Revenue	149,153
Claims Payable	132,836
<i>Total Liabilities</i>	281,989
Net Assets	
Unrestricted	\$956,203

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, 2006

	Self- Insurance
Operating Revenues	
Charges for Services	\$2,155,980
Operating Expenses	
Purchased Services	272,002
Claims	1,327,259
<i>Total Operating Expenses</i>	1,599,261
<i>Operating Income</i>	556,719
<i>Net Assets at Beginning of Year</i>	399,484
<i>Net Assets at End of Year</i>	\$956,203

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, 2006

	<u>Self- Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$2,103,071
Cash Received from Component Unit	55,323
Cash Payments for Services	(272,002)
Cash Payments for Claims	<u>(1,417,613)</u>
<i>Net Cash Provided by Operating Activities</i>	468,779
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>769,413</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,238,192</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$556,719
Changes in Assets and Liabilities	
Decrease in Accounts Payable	(25,190)
Increase in Deferred Revenue	2,414
Decrease in Claims Payable	<u>(65,164)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$468,779</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, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	\$52,346
Cash and Cash Equivalents in Segregated Accounts	<u>988</u>
<i>Total Assets</i>	<u><u>\$53,334</u></u>
 Liabilities	
Due to Students	\$52,346
Undistributed Monies	<u>988</u>
<i>Total Liabilities</i>	<u><u>\$53,334</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, 2006

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. It is staffed by 115 classified employees, 145 certificated full-time teaching personnel, and 12 administrative employees who provide services to 2,221 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 Unit. 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.

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 five jointly governed organizations and two insurance purchasing pools. 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, the East Central Ohio Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Benefits Cooperative. These organizations are presented in Notes 17 and 18 to the basic 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.

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

On governmental 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 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 2006 investments were limited to the State Treasury Asset Reserve of Ohio (STAR-Ohio), a negotiable certificate of deposit, non-negotiable certificates of deposit, and federal agency securities. Investments in federal agency securities and negotiable certificates of deposit are stated at fair value based on quoted market prices. Non-negotiable certificates of deposit are reported at cost. STAR-Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

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 2006 amounted to \$273,213, which includes \$185,914 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

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 eternally 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 and unspent revenues restricted for the purchase of buses. See Note 20 for additional information regarding set asides.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

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

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

The School District has a fund balance designation on the balance sheet for additional money set-aside by the Board of Education to be used for capital improvements. Such capital improvements include the addition of eight new classrooms in the existing elementary building. However, after fiscal year end the School District restructured their classrooms and determined the addition was not necessary.

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

The government-wide statement of net assets reports \$3,979,627 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include activities for 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.

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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
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NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, and GASB Statement No. 47, “Accounting for Termination Benefits”.

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

The following funds had a deficit fund balance at June 30, 2006:

<u>Special Revenue Funds</u>	<u>Deficit Fund Balances</u>
Public Preschool	\$40,413
Title I	22,972
Chapter II	3,259
Latchkey	724
Class Size Reduction	3,615
Miscellaneous Federal Grants	8,753

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

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
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The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statement for the General Fund:

Net Change in Fund Balance	
GAAP Basis	\$197,324
Net Adjustment for Revenue Accruals	(117,457)
Net Adjustment for Expenditure Accruals	(191,899)
Beginning:	
Prepaid Items	136,790
Ending:	
Prepaid Items	(4,751)
Advances In	80,775
Advances Out	(50,911)
Adjustment for Encumbrances	<u>(32,087)</u>
Budget Basis	<u><u>\$17,784</u></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;
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;

Maysville Local School District, Ohio
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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 describe in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer’s investment pool (STAR Ohio); 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, \$6,038,585 of the School District’s bank balance of \$6,644,898 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, 2006, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Federal National Mortgage Association Notes	\$488,750	12/28/2009
Federal Home Loan Bank Bonds	679,658	5/26/2009
Federal Home Loan Bank Notes	148,734	12/30/2009
Federal Home Loan Bank Notes	168,460	11/27/2006
Negotiable Certificate of Deposit	97,198	8/3/2007
STAROhio	85,306	Average 34.77 Days
Total	\$1,668,106	

Maysville Local School District, Ohio
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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.

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, 29% is invested in Federal National Mortgage Association Notes, 41% is invested in Federal Home Loan Bank Bonds, and 19% 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county

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taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The amount available as an advance at June 30, 2006, was \$1,276,494. \$1,123,888 was available to the general fund, \$127,222 was available to the bond retirement debt service fund, and \$25,384 was available to the classroom facilities maintenance special revenue fund.

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

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

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$120,541,344	84.63%	\$127,384,260	84.81%
Public Utility Personal	6,392,710	4.49%	6,269,660	4.18%
General Business Personal	15,502,966	10.88%	16,541,086	11.01%
Total Assessed Value	\$142,437,020	100.00%	\$150,195,006	100.00%
Tax rate per \$1,000 of assessed valuation	\$40.45		\$40.45	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, 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 except for the delinquent property taxes in the amount of \$788,979.

Maysville Local School District, Ohio
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A summary of principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
School Foundation Adjustments	\$23,193
Refunds & Reimbursements	12,270
Title VI-B Grant	19,516
Title I Grant	31,388
Drug Free Schools Grant	6,342
Title II-A Grant	3,209
21st Century Grant	43,594
Homeland Security Grant	<u>22,571</u>
 Total	 <u><u>\$162,083</u></u>

NOTE 9 – CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
Nondepreciable Capital Assets				
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>
 Depreciable Capital Assets				
Land Improvements	1,664,476	49,649	0	1,714,125
Buildings and Improvements	36,327,466	13,675	0	36,341,141
Furniture and Equipment	3,461,268	46,439	0	3,507,707
Vehicles	1,164,645	66,566	(5,100)	1,226,111
Total at Historical Cost	<u>42,617,855</u>	<u>176,329</u>	<u>(5,100)</u>	<u>42,789,084</u>
Less Accumulated Depreciation				
Land Improvements	(490,067)	(81,737)	0	(571,804)
Buildings and Improvements	(4,630,344)	(875,342)	0	(5,505,686)
Furniture and Equipment	(1,731,458)	(382,965)	0	(2,114,423)
Vehicles	(955,474)	(66,133)	5,100	(1,016,507)
Total Accumulated epreciation	<u>(7,807,343)</u>	<u>(1,406,177) *</u>	<u>5,100</u>	<u>(9,208,420)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>34,810,512</u>	<u>(1,229,848)</u>	<u>0</u>	<u>33,580,664</u>
Governmental Activities Capital Assets, Net	<u>\$35,596,262</u>	<u>(\$1,229,848)</u>	<u>\$0</u>	<u>\$34,366,414</u>

Maysville Local School District, Ohio
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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$592,280
Special	99,146
Vocational	18,802
Support Services:	
Pupil	22,398
Instructional Staff	214,495
Administration	71,370
Fiscal	4,387
Operation and Maintenance	76,422
Pupil Transportation	66,133
Central	13,861
Extracurricular	91,940
Food Service Operations	<u>134,943</u>
Total Depreciation Expense	<u><u>\$1,406,177</u></u>

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 2006, 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)	\$52,812,884
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

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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 2006, 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 \$132,836 reported in the internal service fund at June 30, 2006, 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. 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>
2005	\$144,000	\$1,751,078	\$1,671,888	\$223,190
2006	223,190	1,327,259	1,417,613	132,836

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, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

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 2006, 10.58 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, 2006, 2005, and 2004, were \$273,935, \$275,126, and \$213,318, respectively; 51 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$133,104 represents the unpaid contribution for fiscal year 2006.

Maysville Local School District, Ohio
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B. State Teachers Retirement System of Ohio

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 to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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, 2006, 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 2005, 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, 2006, 2005, and 2004 were \$1,008,485, \$978,171, and \$906,997; 85 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,663 made by the School District and \$14,926 made by the plan members. \$148,636 represents the unpaid contribution for fiscal year 2006.

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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare

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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 retirees who participated in the DB or Combined Plans and their 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. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$77,858 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$136,625.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 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. Unused vacation time at the end of a fiscal year is not accumulated or carried forward to the next fiscal year. 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 59 days.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

B. Life Insurance

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

C. Retirement Incentive

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

During fiscal year 2006, the School District paid \$20,000 in retirement incentives that were accrued as liabilities at June 30, 2005. At June 30, 2006 \$10,000 in retirement incentives was accrued as a liability.

During fiscal year 2006, the School District approved a 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 \$275 per year of service as documented by the employees most recent SERS benefit statement. The incentive will be paid in one lump sum payment with the employee's severance on the effective date of retirement. At June 30, 2006 no liability exists.

NOTE 14 – CAPITALIZED LEASES

The School District has entered into capitalized leases for copiers. 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
2007	50,040
2008	37,531
Total	87,571
Less: Amount Representing Interest	(5,838)
Present Value of Net Minimum Lease Payments	\$81,733

The copiers were originally capitalized in the amount of \$207,463. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2006 totaled \$42,045 in the governmental funds.

Property under Capital Lease	\$207,463
Less: Accumulated Depreciation	(153,824)
Total June 30, 2006	\$53,639

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	Principal Outstanding 6/30/2005	Additions	Deductions	Principal Outstanding 6/30/2006	Due in One Year
School Facilities Improvement General Obligation Bonds 2000 3.8% - 5.679%	\$3,935,000	\$0	\$145,000	\$3,790,000	\$155,000
Capital Leases	123,778	0	42,045	81,733	45,369
Sick Leave Benefits	842,281	116,566	61,781	897,066	53,517
Retirement Incentive	20,000	10,000	20,000	10,000	10,000
Total General Long-Term Obligations	<u>\$4,921,059</u>	<u>\$126,566</u>	<u>\$268,826</u>	<u>\$4,778,799</u>	<u>\$263,886</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

Fiscal Year Ending June 30,	Principal	Interest
2007	\$155,000	\$208,041
2008	160,000	200,480
2009	170,000	192,393
2010	175,000	183,810
2011	185,000	174,718
2012-2016	1,090,000	703,323
2017-2021	1,495,000	320,014
2022-2023	360,000	10,080
Total	<u>\$3,790,000</u>	<u>\$1,992,859</u>

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

The School District's overall legal debt margin was \$8,755,584 with an unvoted debt margin of \$135,833 at June 30, 2006.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 16 - INTERFUND ACTIVITY

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Drug Free Schools Grant	\$5,298
Miscellaneous Federal Grants	<u>45,613</u>
	<u><u>\$50,911</u></u>

During fiscal year 2006, the School District advanced \$50,911 from the general fund for grant monies not received as of June 30, 2006. All advances will be repaid in fiscal year 2007.

During fiscal year 2006, the School District transferred \$65,000 from the general fund to the preschool special revenue fund for operations.

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 the School District has no equity interest in the Association. The School District's payments to LACA for fiscal year 2006 were \$57,715. 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. The School District's payments to LACA for fiscal year 2006 were \$35. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children 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 Council 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 Council. The School District's membership fee was \$300 for fiscal year 2006.

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 2006, the Board consisted of sixteen members. In fiscal year 2006, Maysville Local School District obtained active membership privileges and paid a membership fee of \$543.

E. East Central Ohio Special Education Regional Resource Center

The School District participates in the East Central Ohio Special Education Regional Resource Center (ECO SERRC), a jointly governed organization. The organization selects its own board, adopts its own budget, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in east central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2006, the School District did not make any contributions to Tuscarawas-Carroll-Harrison Educational Service Center for ECO SERRC services. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Education Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

NOTE 18 - INSURANCE PURCHASING POOLS

A. 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.

B. Ohio School Benefits Cooperative

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. On November 1, 2005, the School District elected to participate in the self-insured purchasing program for medical, prescription drug, dental, and vision coverage.

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, 2006.

B. Litigation

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2005	(\$301,765)	(\$4,808,790)	\$52,606
Current Year Set-aside Requirement	317,870	317,870	0
Current Year Offsets	0	(447,029)	0
Qualifying Disbursements	(326,710)	(181,979)	0
Total	(\$310,605)	(\$5,119,928)	\$52,606
Balance Carried Forward to Future Fiscal Years	(\$310,605)	(\$4,732,000)	\$52,606
Cash Balances to Carry Forward to Future Fiscal Years	\$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 –SUBSEQUENT EVENTS

On August 16, 2006 the School District issued \$2,170,000 of School Improvement Refunding General Obligation Bonds at variable interest rates ranging from 5.1-5.6%. The bonds were issued to advance refund \$2,180,000 of the \$3,790,000 outstanding 1999 School Facilities Improvement General Obligation Bonds. At the date of refunding \$2,311,753 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1999 School Facilities Improvement General Obligation Bonds.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The refunding bonds were issued with a premium of \$174,935 which will be reported as an increase to bonds payable. The amounts will be amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of \$33,182 will be reported as deferred charges and will be amortized over the life of the bonds using the straight-line method.

NOTE 22 – 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 five certificated full time teaching personnel who provide services to 102 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

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.

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 2006, 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 no restricted net assets and has no monies 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
For the Fiscal Year Ended June 30, 2006

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

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 Center will compensate the employees for the benefits through paid time off or some other means. The Center 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 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 service (including prior year service with the Sponsor). At June 30, 2006 the Center had \$17,891 in an outstanding compensated absences liability.

Accrued Wages and Liabilities

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.

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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Changes in Accounting Principle

For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

D. Deposits

The Center follows the same State statutes as disclosed in Note 6 of the primary government. At fiscal year end, the \$192,773 of the Center's bank balance of \$392,773 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, 2006, 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>
Business-Type Activities	
Title II-A	\$2,375
Ohio Public Charter School Program	19,622
School Community Partnership Grant - TANF	16,851
Alternative Challenge Grant	2,964
Small, Rural School Achievement Program	<u>19,068</u>
Total	<u><u>\$60,880</u></u>

F. Defined Benefit Pension Plans

School Employees Retirement System of Ohio

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 2006 were \$11,099. The Center's required contributions for pension obligations to STRS for fiscal year 2006 were \$27,813.

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 2006, the Center contributed \$2,139 to STRS Ohio for health care benefits and \$4,554 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. Unused vacation time at the end of a fiscal year is not accumulated or carried forward to the next fiscal year. 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 59 days.

Life Insurance

The Sponsor provides the Center life insurance and accidental death and dismemberment insurance to most employees through Unum Life Insurance 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 2006, 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 2006, the Center contracted with Utica National Insurance Group for liability insurance.

During fiscal year 2006, 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

During fiscal year 2006, 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, 2006.

Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Center is not presently determinable.

Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Noncash Receipts	Cash Disbursements	Noncash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation Program	N/A	10.550	\$0	\$60,386	\$0	\$60,386
Nutrition Cluster:						
School Breakfast Program	48860-05PU-05/06	10.553	56,336		56,336	
National School Lunch Program	48850-LLP4-05/06	10.555	307,522		307,522	
Total Nutrition Cluster			<u>363,858</u>	<u>0</u>	<u>363,858</u>	<u>0</u>
Total U.S. Department of Agriculture			363,858	60,386	363,858	60,386
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Grants to Local Educational Agencies	48850-C1-S1-06	84.010	473,467		440,822	
	48850-C1-S1-05	84.010	13,827		54,070	
Total Title I - Grants to Local Educational Agencies			<u>487,294</u>	<u>0</u>	<u>494,892</u>	<u>0</u>
Special Education - Grants to States	48850-6B-SF-06	84.027	483,288		419,443	
	48850-6B-SF-05	84.027	110,570		110,570	
Total Special Education - Grants to States			<u>593,858</u>	<u>0</u>	<u>530,013</u>	<u>0</u>
Safe and Drug Free School and Communities Grant	48850-DR-S1-06	84.186	7,010		12,308	
	48850-DR-S1-05	84.186	8,093		8,093	
Total Safe and Drug Free School and Communities Grant			<u>15,103</u>	<u>0</u>	<u>20,401</u>	<u>0</u>
Twenty-First Century Community Learning Centers	048850-T1A2-2006	84.287	5,000		911	
	048850-T1S1-2006	84.287	101,471		136,079	
	048850-T1S1-2005	84.287	58,026		58,026	
Total Twenty-First Century Community Learning Centers			<u>164,497</u>	<u>0</u>	<u>195,016</u>	<u>0</u>
State Grants for Innovative Programs	48850-C2-S1-06	84.298	6,419		6,419	
Education Technology State Grants	48850-TJ-S1-05	84.318	9,495		9,495	
	48850-TJ-S1-06	84.318	8,720		8,720	
Total Education Technology State Grants			<u>18,215</u>	<u>0</u>	<u>18,215</u>	<u>0</u>
Improving Teacher Quality State Grants	48850-TR-S1-05	84.367	16,066		16,066	
	48850-TR-S1-06	84.367	102,703		93,037	
Total Improving Teacher Quality State Grants			<u>118,769</u>	<u>0</u>	<u>109,103</u>	<u>0</u>
Total U.S. Department of Education			1,404,155	0	1,374,059	0
<u>Corporation for National and Community Service</u>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America - School and Community Based Programs	48850-SVHS-2006	94.004	22,524		33,528	
	48850-SVHS-2005	94.004	14,298		14,298	
	48850-SVS1-2005	94.004	212		212	
Total Learn and Serve America - School and Community Based Programs			<u>37,034</u>	<u>0</u>	<u>48,038</u>	<u>0</u>
Total Corporation for National and Community Service			37,034	0	48,038	0
<u>U.S. Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Health Insurance Program - SCHIP	N/A	93.767	727		727	
Medical Assistance Program - CAFS	N/A	93.778	6,301		6,301	

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes 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 non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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



Mary Taylor, CPA

Auditor of State

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 aggregate remaining fund information of the Maysville Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 8, 2007. 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 8, 2007, 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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express 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 8, 2007 we reported other matters related to noncompliance we deemed immaterial.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 8, 2007



Mary Taylor, CPA

Auditor of State

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 its major federal program for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. 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 its major federal program for the year ended June 30, 2006.

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.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 8, 2007

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

2. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

**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 20, 2007**