



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, the discretely presented component unit, each major fund, 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, 2007, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Maysville Local School District, Muskingum County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows 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 March 7, 2008, 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 measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to 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 to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 7, 2008

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Maysville Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- Net assets of governmental activities increased \$263,069.
- General revenues accounted for \$14,839,389 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,944,253, 25 percent of total revenues of \$19,783,642.
- Total assets of governmental activities increased \$497,094. The increase was primarily due to an increase in cash and cash equivalents in the amount of \$1,233,586 which was offset by a decrease in capital assets in the amount of \$1,046,265 due to current year depreciation.
- The School District had \$19,520,573 in expenses related to governmental activities; only \$4,944,253 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$14,839,389 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 \$15,503,565 in revenues, \$14,962,788 in expenditures, and (\$486,383) in other financing sources and uses. The General Fund's balance increased \$54,394. The Permanent Improvement Capital Projects Fund had \$414,820 in revenues, \$44,875 in expenditures, and \$400,000 in other financing sources. The Permanent Improvement Fund balance increased \$769,945.

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 School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 2007?" 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, 2007
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 1 provides a summary of the School District's net assets for 2007 compared to 2006.

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Assets			
Current and Other Assets	\$14,091,079	\$12,547,720	\$1,543,359
Capital Assets	33,320,149	34,366,414	(1,046,265)
Total Assets	<u>47,411,228</u>	<u>46,914,134</u>	<u>497,094</u>
Liabilities			
Long-Term Liabilities	4,661,882	4,778,799	(116,917)
Other Liabilities	5,092,859	4,741,917	350,942
Total Liabilities	<u>9,754,741</u>	<u>9,520,716</u>	<u>234,025</u>
Net Assets			
Invested in Capital Assets, Net of Debt	29,649,410	30,494,681	(845,271)
Restricted	1,844,687	1,606,772	237,915
Unrestricted	6,162,390	5,291,965	870,425
Total Net Assets	<u>\$37,656,487</u>	<u>\$37,393,418</u>	<u>\$263,069</u>

Total assets increased \$497,094. The increase was primarily due to an increase in cash and cash equivalents of \$1,233,586, an increase in property taxes receivable of \$218,723, and an increase in intergovernmental receivable of \$63,394. During fiscal year 2007, cash and cash equivalents increased primarily due to an increase in poverty based assistance revenue of \$448,327, an increase in interest revenue of \$168,726, an increase in tangible personal property tax loss reimbursement of \$172,230, an increase in tuition and fees of \$75,970, and an increase in contributions and donations from the Muskingum County Department of Job and Family Services in the amount of \$50,000. The increase in assets was offset by a decrease in capital assets in the amount of \$1,046,265 due to current year depreciation.

Total liabilities increased \$234,025. This increase is primarily due to an increase in accrued wages and benefits in the amount of \$84,266 due to a 2.5 percent base increase and incremental step increases. During fiscal year 2007, deferred revenue increased \$132,860 due to an increase in property taxes receivable in the amount of \$218,723.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 and comparisons to fiscal year 2006.

Table 2
Changes in Net Assets

	Governmental Activities		
Revenues	2007	2006	Change
Program Revenues			
Charges for Services	\$2,054,283	\$1,890,364	\$163,919
Operating Grants, Contributions and Interest	2,816,657	2,630,884	185,773
Capital Grants and Contributions	73,313	35,591	37,722
	<u>4,944,253</u>	<u>4,556,839</u>	<u>387,414</u>
General Revenue			
Property Taxes	3,867,045	3,917,121	(50,076)
Payment in Lieu of Taxes	4,623	0	4,623
Grants and Entitlements	10,482,397	9,969,554	512,843
Investment Earnings	457,069	306,049	151,020
Gain on Sale of Capital Assets	13,617	1,000	12,617
Miscellaneous	14,638	17,310	(2,672)
	<u>14,839,389</u>	<u>14,211,034</u>	<u>628,355</u>
Total Revenues	<u>19,783,642</u>	<u>18,767,873</u>	<u>1,015,769</u>
Program Expenses			
Instruction			
Regular - Primary Government	8,907,703	8,327,220	580,483
Regular - External Portion	98,897	38,382	60,515
Special	1,778,553	1,483,772	294,781
Vocational	86,356	169,186	(82,830)
Support Services			
Pupils	706,885	715,017	(8,132)
Instructional Staff	1,558,507	1,680,135	(121,628)
Board of Education	54,955	60,719	(5,764)
Administration	1,669,499	1,682,783	(13,284)
Fiscal	347,052	339,693	7,359
Operation and Maintenance of Plant	1,875,542	1,918,423	(42,881)
Pupil Transportation	808,942	773,657	35,285
Central	36,340	64,799	(28,459)
Operation of Non-Instructional Services			
Food Service Operations	884,840	873,293	11,547
Other	21,652	28,285	(6,633)
Extracurricular Activities	497,312	486,206	11,106
Interest and Fiscal Charges	187,538	230,740	(43,202)
Total Expenses	<u>19,520,573</u>	<u>18,872,310</u>	<u>648,263</u>
<i>Change in Net Assets</i>	263,069	(104,437)	367,506
Net Assets Beginning of Year	<u>37,393,418</u>	<u>37,497,855</u>	<u>(104,437)</u>
Net Assets End of Year	<u>\$37,656,487</u>	<u>\$37,393,418</u>	<u>\$263,069</u>

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. Only 25 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 75 percent is provided through taxes and entitlements.

During fiscal year 2007, the increase in regular instruction and special instruction expenses is due in large part to a 2.5 percent base increase and incremental step increases. In addition to base and step increases, regular instruction expenses increased due to an increase in open enrollment in the amount of \$59,835, the hiring of one additional preschool teacher and one additional preschool aide, and an increase in poverty based assistance in the amount of \$448,327 due to the School District falling above the state's average poverty level for the all day every day kindergarten program. The increase in special education expense is also due to an increase in special education services costs provided by the Muskingum Valley Educational Service Center. During fiscal year 2007, multiple disabilities program services increased \$13,796, school age autism services increased \$14,290, curriculum coordination services increased \$6,995, and preschool autism program services increased \$13,937.

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

	2007 Total Cost of Services	2007 Net Cost of Services	2006 Total Cost of Services	2006 Net Cost of Services
Program Expenses				
Instruction:				
Regular - Primary Government	\$8,907,703	\$7,467,694	\$8,327,220	\$7,008,676
Regular - External Portion	98,897	(5,291)	38,382	(16,941)
Special	1,778,553	631,695	1,483,772	583,884
Vocational	86,356	55,187	169,186	128,016
Support Services:				
Pupil	706,885	578,378	715,017	620,630
Instructional Staff	1,558,507	1,047,502	1,680,135	1,029,031
Board of Education	54,955	54,955	60,719	60,719
Administration	1,669,499	1,557,204	1,682,783	1,529,623
Fiscal	347,052	296,016	339,693	301,573
Operation and Maintenance of Plant	1,875,542	1,543,105	1,918,423	1,699,519
Pupil Transportation	808,942	765,136	773,657	747,684
Central	36,340	34,706	64,799	40,769
Operation of Non-Instructional Services				
Food Service Operations	884,840	40,658	873,293	35,234
Other	21,652	6,662	28,285	11,105
Extracurricular Activities	497,312	315,175	486,206	305,209
Interest and Fiscal Charges	187,538	187,538	230,740	230,740
Totals	\$19,520,573	\$14,576,320	\$18,872,310	\$14,315,471

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Instructional programs comprise approximately 55 percent of total governmental program expenses and support services makes up approximately 36 percent of the program expenses of the School District.

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 \$15,503,565, expenditures of \$14,962,788, and other financing sources and uses of (\$486,383). The Permanent Improvement Capital Projects Fund had total revenues of \$414,820, expenditures of \$44,875, and other financing sources of \$400,000.

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 2007, 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 \$15,618,508.

The School District's ending General Fund budgetary balance was \$3,114,502.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$33,320,149 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

Table 4
Capital Assets at June 30, 2007
(Net of Depreciation)

	<u>Government Activities</u>	
	<u>2007</u>	<u>2006</u>
Land and Land Improvements	\$1,845,714	\$1,928,071
Buildings and Improvements	30,026,077	30,835,455
Furniture and Equipment	1,178,576	1,393,284
Vehicles	<u>269,782</u>	<u>209,604</u>
Totals	<u><u>\$33,320,149</u></u>	<u><u>\$34,366,414</u></u>

See Note 8 for more detailed information of the School District's capital assets.

Maysville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Debt

At June 30, 2007, the School District had \$3,701,847 in School Facilities Improvement Bonds and capital leases outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities 2007	Governmental Activities 2006
School Facilities Improvement		
General Obligation Bonds		
Serial Bonds - 2000 - 3.80% - 6.35%	\$1,455,000	\$2,195,000
Term Bonds - 2000 - 5.55% - 5.60%	0	1,595,000
School Improvement Refunding		
General Obligation Bonds		
Serial Bonds - 2007 - 4.0%	590,000	0
Term Bonds - 2007 - 5.25%	1,580,000	0
Bond Premium	164,002	0
Deferred Amount on Refunding	(123,519)	0
Capital Leases	36,364	81,733
Totals	\$3,701,847	\$3,871,733

During fiscal year 2007, the School District advance refunded \$2,180,000 of the 2000 School Facilities General Obligation Bonds and reissued \$2,170,000 in School Improvement Refunding General Obligation Bonds. See Note 14 for more detailed information of the School District's debt.

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, 2007

	Primary Government	Component Unit
	Governmental Activities	Foxfire High School
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,467,963	\$310,088
Cash and Cash Equivalents in Segregated Accounts	3,565	0
Accounts Receivable	25,618	20
Intergovernmental Receivable	225,477	35,324
Accrued Interest Receivable	32,154	0
Prepaid Items	4,012	0
Inventory Held for Resale	9,367	0
Materials and Supplies Inventory	5,699	0
Property Taxes Receivable	4,286,116	0
Deferred Charges	31,108	0
Nondepreciable Capital Assets	785,750	0
Depreciable Capital Assets, Net	32,534,399	0
<i>Total Assets</i>	<u>47,411,228</u>	<u>345,432</u>
Liabilities		
Matured Sick Leave Benefits Payable	4,242	0
Accounts Payable	63,651	3,534
Accrued Wages and Benefits Payable	2,085,034	81,924
Accrued Interest Payable	15,197	0
Retirement Incentive Payable	10,000	0
Vacation Benefits Payable	104,202	0
Intergovernmental Payable	520,222	39,677
Deferred Revenue	2,134,780	2,982
Claims Payable	155,531	0
Long-Term Liabilities:		
Due Within One Year	291,623	0
Due In More Than One Year	4,370,259	18,862
<i>Total Liabilities</i>	<u>9,754,741</u>	<u>146,979</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	29,649,410	0
Restricted for:		
Debt Service	520,573	0
Budget Stabilization	52,606	0
Classroom Facilities Maintenance	1,133,615	0
Miscellaneous State Grant Programs	49,964	0
Other Purposes	87,929	0
Unrestricted	6,162,390	198,453
<i>Total Net Assets</i>	<u>\$37,656,487</u>	<u>\$198,453</u>

See accompanying notes to the basic financial statements

Maysville Local School District, Ohio
Statement of Activities
For the fiscal year ended June 30, 2007

	Net (Expense) Revenue and Changes in Net Assets					Component Unit
	Expenses	Program Revenues			Primary Government	
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	
Governmental Activities						
Instruction:						
Regular - Primary Government	\$8,907,703	\$1,108,228	\$331,781	\$0	(\$7,467,694)	0
Regular - External Portion	98,897	104,188	0	0	5,291	0
Special	1,778,553	0	1,146,858	0	(631,695)	0
Vocational	86,356	0	31,169	0	(55,187)	0
Support Services:						
Pupils	706,885	0	128,507	0	(578,378)	0
Instructional Staff	1,558,507	21,438	489,567	0	(1,047,502)	0
Board of Education	54,955	0	0	0	(54,955)	0
Administration	1,669,499	0	79,460	32,835	(1,557,204)	0
Fiscal	347,052	0	34,621	16,415	(296,016)	0
Operation and Maintenance of Plant	1,875,542	252,480	79,607	350	(1,543,105)	0
Pupil Transportation	808,942	3,056	17,037	23,713	(765,136)	0
Central	36,340	0	1,634	0	(34,706)	0
Operation of Non-Instructional Services:						
Food Service Operations	884,840	376,448	467,734	0	(40,658)	0
Other	21,652	6,308	8,682	0	(6,662)	0
Extracurricular Activities	497,312	182,137	0	0	(315,175)	0
Interest and Fiscal Charges	187,538	0	0	0	(187,538)	0
<i>Total Primary Government</i>	<u>\$19,520,573</u>	<u>\$2,054,283</u>	<u>\$2,816,657</u>	<u>\$73,313</u>	<u>(14,576,320)</u>	<u>0</u>
Component Unit						
Foxfire High School	<u>\$1,105,164</u>	<u>\$0</u>	<u>\$666,340</u>	<u>\$0</u>	<u>0</u>	<u>(438,824)</u>

General Revenues

Property Taxes Levied for:		
General Purposes		3,473,960
Debt Service		327,692
Classroom Facilities Maintenance		65,393
Payment in Lieu of Taxes		4,623
Grants and Entitlements not Restricted to Specific Programs		10,482,397
Investment Earnings		457,069
Gain from Sale of Capital Asset		13,617
Miscellaneous		14,638
<i>Total General Revenues</i>		<u>14,839,389</u>
<i>Change in Net Assets</i>		263,069
<i>Net Assets Beginning of Year</i>		<u>37,393,418</u>
<i>Net Assets End of Year</i>		<u>\$37,656,487</u>
		<u>285,637</u>
		(153,187)
		351,640
		<u>\$198,453</u>

See accompanying notes to the basic financial statements

Maysville Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2007

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,212,368	\$3,114,127	\$1,709,561	\$8,036,056
Cash and Cash Equivalents in Segregated Accounts	0	0	3,565	3,565
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,606	0	0	52,606
Accounts Receivable	24,945	0	673	25,618
Interfund Receivable	950	0	0	950
Intergovernmental Receivable	5,396	0	220,081	225,477
Accrued Interest Receivable	0	26,199	5,955	32,154
Prepaid Items	4,012	0	0	4,012
Inventory Held for Resale	0	0	9,367	9,367
Materials and Supplies Inventory	4,423	0	1,276	5,699
Property Taxes Receivable	3,846,352	0	439,764	4,286,116
Total Assets	\$7,151,052	\$3,140,326	\$2,390,242	\$12,681,620
Liabilities				
Matured Sick Leave Benefits Payable	\$4,242	\$0	\$0	\$4,242
Accounts Payable	63,297	0	354	63,651
Accrued Wages and Benefits	1,677,452	0	252,582	1,930,034
Interfund Payable	0	0	950	950
Deferred Revenue	2,591,791	14,684	338,061	2,944,536
Intergovernmental Payable	438,001	0	82,221	520,222
Total Liabilities	4,774,783	14,684	674,168	5,463,635
Fund Balances				
Reserved for Encumbrances	133,388	0	13,495	146,883
Reserved for Budget Stabilization	52,606	0	0	52,606
Reserved for Property Taxes	1,281,344	0	154,384	1,435,728
Unreserved:				
Undesignated, Reported in:				
General Fund	908,931	0	0	908,931
Special Revenue Funds	0	0	1,197,657	1,197,657
Debt Service Fund	0	0	350,538	350,538
Capital Projects Funds	0	3,125,642	0	3,125,642
Total Fund Balances	2,376,269	3,125,642	1,716,074	7,217,985
Total Liabilities and Fund Balances	\$7,151,052	\$3,140,326	\$2,390,242	\$12,681,620

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, 2007*

Total Governmental Fund Balances \$7,217,985

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 33,320,149

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

Property Taxes Receivable	715,608	
Accrued Interest Receivable	20,639	
Intergovernmental Receivable	47,192	
Student Fees	<u>26,317</u>	809,756

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. 1,068,770

Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accrual that is not expected to be paid with expendable available financial resources and therefore is not reported in the funds. (15,197)

Vacation Benefits Payable and Retirement Incentive Payable are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.

Vacation Benefits Payable	(104,202)	
Retirement Incentive Payable	<u>(10,000)</u>	(114,202)

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as expenditures on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds. 31,108

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

General Obligation Bonds Payable	(1,455,000)	
Refunding General Obligation Bonds Payable	(2,170,000)	
Premium on Refunding Bonds	(164,002)	
Deferred Amount on Refunding	123,519	
Capital Leases Payable	(36,364)	
Sick Leave Benefits Payable	<u>(960,035)</u>	<u>(4,661,882)</u>

Net Assets of Governmental Activities \$37,656,487

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, 2007

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,537,088	\$0	\$403,328	\$3,940,416
Payment in Lieu of Taxes	4,122	0	501	4,623
Intergovernmental	10,668,407	0	2,573,305	13,241,712
Interest	0	414,470	44,825	459,295
Tuition and Fees	975,021	0	146,201	1,121,222
Extracurricular Activities	0	0	191,138	191,138
Rent	26,719	0	0	26,719
Charges for Services	227,080	0	378,529	605,609
Contributions and Donations	50,490	350	237	51,077
Miscellaneous	14,638	0	0	14,638
Total Revenues	15,503,565	414,820	3,738,064	19,656,449
Expenditures				
Current:				
Instruction:				
Regular	7,506,877	0	912,522	8,419,399
Special	1,149,887	0	524,775	1,674,662
Vocational	73,289	0	0	73,289
Support Services:				
Pupils	570,233	0	122,029	692,262
Instructional Staff	773,176	0	587,424	1,360,600
Board of Education	54,955	0	0	54,955
Administration	1,533,007	0	46,185	1,579,192
Fiscal	341,358	0	0	341,358
Operation and Maintenance of Plant	1,785,950	7,286	38,798	1,832,034
Pupil Transportation	857,285	0	22,333	879,618
Central	24,785	0	1,724	26,509
Operation of Non-Instructional Services:				
Food Service Operations	0	0	760,072	760,072
Other Non-Instructional Services	2,175	0	19,477	21,652
Extracurricular Activities	239,770	0	165,530	405,300
Capital Outlay	0	37,589	0	37,589
Debt Service:				
Principal Retirement	45,369	0	155,000	200,369
Interest and Fiscal Charges	4,672	0	185,070	189,742
Issuance Costs	0	0	33,182	33,182
Total Expenditures	14,962,788	44,875	3,574,121	18,581,784
Excess of Revenues Over Expenditures:	540,777	369,945	163,943	1,074,665
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	13,617	0	0	13,617
General Obligation Refunding Bonds Issued	0	0	2,170,000	2,170,000
Premium on Refunding Bonds Issued	0	0	174,936	174,936
Payment to Refunded Bond Escrow Agent	0	0	(2,311,754)	(2,311,754)
Transfers In	0	400,000	100,000	500,000
Transfers Out	(500,000)	0	0	(500,000)
Total Other Financing Sources (Uses)	(486,383)	400,000	133,182	46,799
Net Change in Fund Balances	54,394	769,945	297,125	1,121,464
Fund Balances Beginning of Year	2,321,875	2,355,697	1,418,949	6,096,521
Fund Balances End of Year	\$2,376,269	\$3,125,642	\$1,716,074	\$7,217,985

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, 2007*

Net Change in Fund Balances - Total Governmental Funds		\$1,121,464
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
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	198,838	
Capital Contributions	49,250	
Depreciation Expense	(1,294,353)	(1,046,265)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Interest	3,481	
Reimbursements from the Component Unit	(3,400)	
Student Fees	8,807	
Intergovernmental	24,621	
Delinquent Taxes	(73,371)	(39,862)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		200,369
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		1,579
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	(24,439)	
Sick Leave Benefits Payable	(62,969)	(87,408)
Debt proceeds and premiums are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets:		
General Obligation Refunding Bonds Issued	(2,170,000)	
Premium on Refunding Bonds Issued	(174,936)	(2,344,936)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		
		33,182
The amortization of premiums and issuance costs are reported on the statement of activities:		
Premium Amortization	10,934	
Issuance Costs Amortization	(2,074)	8,860
The payment to the refunded escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		2,311,754
The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities.		
		(8,235)
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.		
		112,567
<i>Change in Net Assets of Governmental Activities</i>		\$263,069

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, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$3,212,615	\$3,215,258	\$3,379,632	\$164,374
Payment in Lieu of Taxes	0	0	4,122	4,122
Intergovernmental	11,108,506	11,105,863	10,694,493	(411,370)
Tuition and Fees	1,013,876	1,013,876	974,604	(39,272)
Rent	0	7,920	26,719	18,799
Charges for Services	215,000	207,080	227,080	20,000
Contributions and Donations	0	0	50,490	50,490
Miscellaneous	4,000	4,000	14,638	10,638
<i>Total Revenues</i>	15,553,997	15,553,997	15,371,778	(182,219)
Expenditures				
Current:				
Instruction:				
Regular	6,867,939	7,034,938	6,763,413	271,525
Special	1,192,085	1,192,085	1,134,340	57,745
Vocational	142,155	142,155	109,178	32,977
Other	760,200	760,200	784,844	(24,644)
Support Services:				
Pupils	679,470	679,470	561,309	118,161
Instructional Staff	833,346	833,346	778,163	55,183
Board of Education	70,005	70,005	54,706	15,299
Administration	1,605,062	1,605,062	1,519,931	85,131
Fiscal	350,430	350,430	339,908	10,522
Operation and Maintenance of Plant	1,696,147	1,726,147	1,779,262	(53,115)
Pupil Transportation	847,400	907,400	856,513	50,887
Central	23,025	23,025	24,785	(1,760)
Non-Instructional Services	2,500	2,500	2,175	325
Extracurricular Activities	236,625	236,625	239,316	(2,691)
<i>Total Expenditures</i>	15,306,389	15,563,388	14,947,843	615,545
<i>Excess of Revenues Over (Under) Expenditures</i>	247,608	(9,391)	423,935	433,326
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	13,600	13,600	13,617	17
Transfers Out	(65,000)	(465,000)	(500,000)	(35,000)
Advances In	50,911	50,911	50,911	0
Advances Out	0	0	(950)	(950)
<i>Total Other Financing Sources (Uses)</i>	(489)	(400,489)	(436,422)	(35,933)
<i>Net Change in Fund Balance</i>	247,119	(409,880)	(12,487)	397,393
<i>Fund Balance Beginning of Year</i>	3,094,901	3,094,901	3,094,901	0
<i>Prior Year Encumbrances Appropriated</i>	32,088	32,088	32,088	0
<i>Fund Balance End of Year</i>	\$3,374,108	\$2,717,109	\$3,114,502	\$397,393

See accompanying notes to the basic financial statements

Maysville Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2007

	Self- Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,379,301
Current Liabilities	
Deferred Revenue	155,000
Claims Payable	155,531
<i>Total Liabilities</i>	310,531
Net Assets	
Unrestricted	\$1,068,770

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, 2007

	<u>Self- Insurance</u>
Operating Revenues	
Charges for Services	<u>\$2,216,761</u>
Operating Expenses	
Purchased Services	335,234
Claims	<u>1,768,960</u>
<i>Total Operating Expenses</i>	<u>2,104,194</u>
<i>Operating Income</i>	112,567
<i>Net Assets at Beginning of Year</i>	<u>956,203</u>
<i>Net Assets at End of Year</i>	<u><u>\$1,068,770</u></u>

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, 2007

	<u>Self- Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$2,118,420
Cash Received from Component Unit	104,188
Cash Payments for Services	(335,234)
Cash Payments for Claims	<u>(1,746,265)</u>
<i>Net Cash Provided by Operating Activities</i>	141,109
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,238,192</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,379,301</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$112,567
Changes in Assets and Liabilities	
Increase in Deferred Revenue	5,847
Increase in Claims Payable	<u>22,695</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$141,109</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, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	\$46,716
Cash and Cash Equivalents in Segregated Accounts	<u>968</u>
<i>Total Assets</i>	<u><u>\$47,684</u></u>
Liabilities	
Due to Students	\$46,716
Undistributed Monies	<u>968</u>
<i>Total Liabilities</i>	<u><u>\$47,684</u></u>

See accompanying notes to the basic financial statements

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Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

The 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 104 classified employees, 145 certificated full-time teaching personnel, and 12 administrative employees who provide services to 2,176 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 the 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 High School. It is reported separately to emphasize that it is legally separate from the School District.

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The Foxfire High School operates under the direction of a five-member Board of Directors made up of five community members recommended by the Executive Director after consulting with the Sponsor's superintendent. All governing authority members live and/or work in the Zanesville-Muskingum County community as well as represent the interest of the Muskingum County community. The sponsor is able to impose its will on Foxfire High School and due to their relationship with the sponsor it would be misleading to exclude them. The Sponsor can suspend the Foxfire High School's operations for any of the following reasons: 1) The Foxfire High School's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Foxfire High School's failure to meet generally accepted standards of fiscal management, 3) The Foxfire High School's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. Separately issued financial statements can be obtained from the Foxfire High School, PO Box 1818, Zanesville, Ohio 43702.

The School District participates in four 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 East Central Ohio Special Education Regional Resource Center, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio School Benefits Cooperative. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund provided those pronouncements do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District however, does not have any business-type activities.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

Permanent Improvement Fund The Permanent Improvement Capital Projects Fund is used to account for the receipts and expenditures related to acquiring, constructing, and improving school facilities.

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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, vision, and dental claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and payroll withholdings.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 6). 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.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

During fiscal year 2007, 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, 2007.

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 2007 amounted to \$414,470, which includes \$288,248 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, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 Activity

Transfers within governmental activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

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 19 for additional information regarding set asides.

K. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

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

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.

N. Net Assets

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

The government-wide statement of net assets reports \$1,844,687 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

R. Bond Premiums, Gains on Refinancing and Issuance Costs

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt. Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, governmental fund types recognize issuance costs and bond premiums in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had deficit fund balances at June 30, 2007.

<u>Special Revenue Funds:</u>	<u>Deficit Fund Balances</u>
Public Preschool Fund	\$33,679
Title I	52,856
Latchkey	10,604

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

B. Legal Compliance

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Revised Code.

<u>Nonmajor Debt Service Fund:</u>	<u>Excess</u>
Bond Retirement Fund	\$2,310,006
 <u>Nonmajor Special Revenue Fund:</u>	
Miscellaneous Federal Grants	801

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

NOTE 4 – 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 Balance - 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
For the Fiscal Year Ended June 30, 2007

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	\$54,394
Net Adjustment for Revenue Accruals	(131,787)
Net Adjustment for Expenditure Accruals	164,678
Beginning:	
Prepaid Items	4,751
Ending:	
Prepaid Items	(4,012)
Advances In	50,911
Advances Out	(950)
Adjustment for Encumbrances	<u>(150,472)</u>
Budget Basis	<u><u>(\$12,487)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

4. Bonds and other obligations of the State of Ohio;
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) of Ohio Rev. Code Section 135.18;
7. The State Treasurer’s investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,003,179 of the School District’s bank balance of \$6,411,293 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 pledge 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, 2007, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$689,500	5/26/2009
Federal National Mortgage Association Notes	496,720	12/28/2009
Federal Home Loan Bank Notes	150,000	12/30/2009
Federal National Mortgage Association Notes	499,690	2/15/2011
Federal Home Loan Bank Notes	169,045	12/15/2011
Federal Home Loan Mortgage Corporation Notes	495,585	12/19/2011
Federal Home Loan Bank Notes	199,000	4/17/2012
Federal Home Loan Bank Notes	298,593	5/21/2012
Negotiable Certificate of Deposit	98,881	8/3/2007
STAROhio	89,826	Average 38.56 Days
 Total	 \$3,186,840	

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 Mortgage Corporation 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, 22% is invested in Federal Home Loan Bank Bonds, 31% is invested in Federal National Mortgage Association Notes, 26% is invested in Federal Home Loan Bank Notes, and 16% is invested in Federal Home Loan Mortgage Corporation Notes.

NOTE 6 - 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property tax) represents the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county 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, 2007, are available to finance fiscal year 2007 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, 2007 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, 2007, was \$1,435,728. \$1,281,344 was available to the General Fund, \$128,884 was available to the Bond Retirement Debt Service Fund, and \$25,500 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$127,384,260	84.82%	\$130,337,040	84.83%
Public Utility Personal	6,269,660	4.17%	6,781,010	4.41%
General Business Personal	16,541,086	11.01%	16,527,210	10.76%
Total Assessed Value	<u>\$150,195,006</u>	<u>100.00%</u>	<u>\$153,645,260</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.45		\$41.35	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, 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 except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
School Foundation Adjustments	\$3,810
Refunds & Reimbursements	1,586
Food Service Breakfast/ Lunch Program	45,905
Miscellaneous State Grants	46,726
Title VI-B Grant	93,661
Title I Grant	13,830
Drug Free Schools Grant	898
Title II-A Grant	17,777
Title II-D Grant	52
21st Century Grant	<u>1,232</u>
Total	<u>\$225,477</u>

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
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	1,714,125	0	0	1,714,125
Buildings and Improvements	36,341,141	73,163	0	36,414,304
Furniture and Equipment	3,507,707	44,613	0	3,552,320
Vehicles	1,226,111	130,312	(73,375)	1,283,048
Total at Historical Cost	<u>42,789,084</u>	<u>248,088</u>	<u>(73,375)</u>	<u>42,963,797</u>
Less Accumulated Depreciation				
Land Improvements	(571,804)	(82,357)	0	(654,161)
Buildings and Improvements	(5,505,686)	(882,541)	0	(6,388,227)
Furniture and Equipment	(2,114,423)	(259,321)	0	(2,373,744)
Vehicles	(1,016,507)	(70,134)	73,375	(1,013,266)
Total Accumulated Depreciation	<u>(9,208,420)</u>	<u>(1,294,353) *</u>	<u>73,375</u>	<u>(10,429,398)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>33,580,664</u>	<u>(1,046,265)</u>	<u>0</u>	<u>32,534,399</u>
Governmental Activities Capital Assets, Net	<u>\$34,366,414</u>	<u>(\$1,046,265)</u>	<u>\$0</u>	<u>\$33,320,149</u>

During fiscal year 2007, Foxfire High School contributed \$49,250 in building improvements to Maysville Local School District's administration building in which Foxfire High School is located. This amount is reflected within Capital Grants and Contributions on the Statement of Activities.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$528,823
Special	90,293
Vocational	17,907
Support Services:	
Pupils	20,342
Instructional Staff	194,131
Administration	65,631
Fiscal	4,378
Operation and Maintenance	71,373
Pupil Transportation	70,134
Central	12,610
Extracurricular	92,276
Food Service Operations	<u>126,455</u>
Total Depreciation Expense	<u><u>\$1,294,353</u></u>

NOTE 9 - 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 2007, 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)	\$56,780,156
Inland Marine Coverage	
Musical Instruments (\$500 deductible)	500,000
Audio/Visual Equipment (\$500 deductible)	50,000
Miscellaneous School Equipment (\$500 deductible)	500,000
Valuable Papers and Records (\$500 deductible)	100,000
Accounts Receivable	50,000
Employee Theft (\$500 deductible)	100,000
Depositors Forger (\$500 deductible)	100,000
Money & Securities –Inside (\$500 deductible)	25,000
Employee Benefit Liability (\$1,000 deductible)	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Employers Liability	1,000,000
Fleet Insurance (\$1,000 deductible)	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Medical Expense	5,000

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

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, 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 \$155,531 reported in the Internal Service Fund at June 30, 2007, 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>
2006	\$223,190	\$1,327,259	\$1,417,613	\$132,836
2007	132,836	1,768,960	1,746,265	155,531

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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, 2007, 2006, and 2005, were \$276,785, \$273,935, and \$275,126, respectively; 50 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. \$139,655 represents the unpaid contribution for fiscal year 2007.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits 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 times 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, 2007, 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 2006, 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, 2007, 2006, and 2005 were \$1,023,638, \$1,008,485, and \$978,171; 84 percent has been contributed for fiscal year 2007, and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$5,026 made by the School District and \$17,041 made by the plan members. \$161,820 represents the unpaid contribution for fiscal year 2007.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS 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, 2007, 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 \$79,128 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, 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 2007 fiscal year equaled \$135,517.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits

NOTE 12 - 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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 2007, the School District paid \$10,000 in retirement incentives that were accrued as liabilities at June 30, 2006. At June 30, 2007 \$10,000 in retirement incentives was accrued as a liability to be paid in January 2008.

NOTE 13 – 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
2008	\$37,530
Less: Amount Representing Interest	(1,166)
Present Value of Net Minimum Lease Payments	\$36,364

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 2007 totaled \$45,369 in the governmental funds.

Property under Capital Lease	\$207,463
Less: Accumulated Depreciation	(189,583)
Total June 30, 2007	\$17,880

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/2006	Additions	Deductions	Principal Outstanding 6/30/2007	Due in One Year
School Facilities Improvement					
General Obligation Bonds					
Serial Bonds - 2000 - 3.80%-6.35%	\$2,195,000	\$0	\$740,000	\$1,455,000	\$160,000
Term Bonds - 2000 - 5.55%-5.60%	1,595,000	0	1,595,000	0	0
School Improvement Refunding					
General Obligation Bonds					
Serial Bonds - 2007 - 4.0%	0	590,000	0	590,000	0
Term Bonds - 2007 - 5.25%	0	1,580,000	0	1,580,000	0
Bond Premium	0	174,936	10,934	164,002	0
Deferred Amount on Refunding	0	(131,754)	(8,235)	(123,519)	0
Total Long-Term Bonds	3,790,000	2,213,182	2,337,699	3,665,483	160,000
Capital Leases	81,733	0	45,369	36,364	36,364
Compensated Absences Payable	897,066	67,211	4,242	960,035	95,259
Total General Long-Term Obligations	\$4,768,799	\$2,280,393	\$2,387,310	\$4,661,882	\$291,623

2000 School Facilities General Obligation Bonds - On September 1, 1999, the School District issued \$4,732,000 in variable interest rate School Facilities Improvement Bonds. 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 Ohio School Facilities Commission. The bond issue included serial and term bonds in the amount of \$3,137,000 and \$1,595,000 respectively. During fiscal year 2007, the School District made the scheduled repayment of serial bonds in the amount of \$155,000, and advance refunded \$585,000 of the serial bonds, and \$1,595,000 of the term bonds. The advance refunded portion of the bonds was removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the Debt Service Fund. The original bonds were issued for a twenty-three period with a final maturity at December 1, 2022, and after the advance refunding continue to have a final maturity at December 1, 2022.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Principal and interest requirements to retire general obligation bonds for the outstanding 2000 School Facilities Improvement Bonds outstanding at June 30, 2007 are as follows:

School Facilities Improvement General Obligation Bonds

Fiscal Year Ending June 30,	Principal	Interest
2008	\$160,000	\$200,480
2009	170,000	192,393
2010	175,000	183,810
2011	0	174,718
2012	0	164,979
2013-2017	950,000	635,469
2018-2022	0	232,970
Total	\$1,455,000	\$1,784,819

2007 School Improvement Refunding General Obligation Bonds – The School District had previously issued 2000 School Facilities Improvement General Obligation Bonds for school improvements that were partially refunded through the 2007 School Improvement Refunding General Obligation Bonds. At the date of refunding, \$2,311,754 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements, and as of June 30, 2007, \$2,180,000 of the refunded bonds are still outstanding, and the balance of the irrevocable trust account was \$2,281,814.

On August 16, 2006, the School District issued \$2,170,000 of School Improvement Refunding General Obligation Bonds that were issued to partially refund the 2000 School Facilities Improvement General Obligation Bonds. The bonds were issued for a sixteen year period with a final maturity at December 1, 2021. The \$2,170,000 School Improvement Refunding General Obligation Bonds were issued at a premium in the amount of \$174,936. The premium is reported as an increase to bonds payable. The premium is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2007 was \$10,934. The issuance costs of \$33,182 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2007 was \$2,074. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$131,754. This difference is being reported in the accompanying financial statements as a decrease to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2007 was \$8,235. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to services the new debt of \$151,035. The issuance resulted in a total economic gain of \$121,468.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Principal and interest requirements to the 2007 School Improvement Refunding General Obligation Bonds outstanding at June 30, 2007 are as follows:

School Improvement Refunding General Obligation Bonds

Fiscal Year Ending June 30,	Principal	Interest
2008	\$0	\$106,550
2009	0	106,550
2010	0	106,550
2011	185,000	102,850
2012	200,000	95,150
2013-2017	205,000	418,850
2018-2022	1,580,000	216,301
Total	<u>\$2,170,000</u>	<u>\$1,152,801</u>

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General and Food Service Funds.

The School District's overall legal debt margin was \$11,063,304 with an unvoted debt margin of \$159,309 at June 30, 2007.

NOTE 15 - INTERFUND ACTIVITY

Interfund balances at June 30, 2007, 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	\$898
Miscellaneous Federal Grants	<u>52</u>
	<u>\$950</u>

During fiscal year 2007, the School District advanced \$950 from the General Fund for grant monies not received as of June 30, 2007. All advances will be repaid in fiscal year 2008.

During fiscal year 2007, the School District transferred \$100,000 from the General Fund to the Preschool Special Revenue Fund for operations and \$400,000 from the general fund to the Permanent Improvement Capital Projects Fund for the future construction of the School District's athletic complex.

NOTE 16- 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 2007 were \$99,019. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

B. Mid-East Career and Technology Centers

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2007, the School District did not make any contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization 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 2007.

D. 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 2007, 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 17 - INSURANCE PURCHASING POOLS

A. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in the Ohio Association of School Business Officials 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.

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 18 - 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, 2007.

NOTE 19 - 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 School District's General Fund or may be left in the account and used by the Board to offset any budget deficit the School 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, 2006	(\$310,605)	\$0	\$52,606
Current Year Set-aside Requirement	330,689	330,689	0
Current Year Offsets	0	(1,361,106)	0
Qualifying Disbursements	(278,114)	(260,097)	0
Total	(\$258,030)	(\$1,290,514)	\$52,606
Balance Carried Forward to Future Fiscal Years	(\$258,030)	\$0	\$52,606
Cash Balances to Carry Forward to Future Fiscal Years	\$0	\$0	\$52,606

Maysville Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 20 – FOXFIRE HIGH SCHOOL

A. Basis of Presentation

The Foxfire High School is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Foxfire High School uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

B. Capital Assets

Foxfire High School follows the capital asset policy of the Sponsor. Therefore, Foxfire High School maintains a capitalization threshold of five thousand dollars. At June 30, 2007, Foxfire High School had no capital assets that met the threshold. All capital assets will be capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets will be recorded at their fair market values as of the date received. All of Foxfire High School's reported capital assets will be depreciated using the straight-line method over the estimated useful life.

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	10.550	N/A	\$	\$ 57,137	\$	\$ 57,137
Nutrition Cluster:						
School Breakfast Program	10.553	048850-05PU-2006 048843-05PU-2007	9,420 49,253		9,420 49,253	
Total School Breakfast Program			58,673	0	58,673	0
National School Lunch Program	10.555	048850-LLP4-2006 048850-LLP4-2007	48,333 238,879		48,333 238,879	
Total National School Lunch Program			287,212	0	287,212	0
Total Nutrition Cluster			345,885	0	345,885	0
Total United States Department of Agriculture			345,885	57,137	345,885	57,137
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	048850-C1S1-2006 048850-C1S1-2007	31,388 529,961		64,033 516,656	
Total Title I Grants to Local Educational Agencies			561,349	0	580,689	0
Special Education Grants to States	84.027	048850-6BSF-2006 048850-6BSF-2007	19,516 413,333		83,361 385,193	
Total Special Education Grants to States			432,849	0	468,554	0
Safe and Drug-Free Schools and Communities: State Grants	84.186	048850-DRS1-2006 048850-DRS1-2007	6,343 10,138		10,432 11,036	
Total Safe and Drug-Free Schools and Communities			16,481	0	21,468	0
Twenty-First Century Community Learning Centers	84.287	048850-T1S1-2006 048850-T1S1-2007	43,594 95,478		8,986	
Total Twenty-First Century Community Learning Centers			139,072	0	8,986	0
State Grants for Innovative Programs	84.298	048843-C2S1-2007	3,300		3,300	
Education Technology State Grants	84.318	048843-TJS1-2007	5,314		5,366	
Improving Teacher Quality	84.367	048850-TRS1-2006 048850-TRS1-2007	3,210 88,605		12,875 86,262	
Total Improving Teacher Quality			91,815	0	99,137	0
Total United States Department of Education			1,250,180	0	1,187,500	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	93.778	N/A	12,660		12,660	
Total United States Department of Health and Human Services			12,660	0	12,660	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America - School and Community Based Programs	94.004	048850-SVHS-2006	22,571		11,567	
Total Corporation for National Service			22,571	0	11,567	0
Total Federal Awards Receipts and Expenditures			\$ 1,631,296	\$ 57,137	\$ 1,557,612	\$ 57,137

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

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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



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, the discretely presented component unit, each major fund, 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, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 7, 2008. 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 as a basis for designing our auditing procedures for expressing our opinions on the basic financial statements but not to opine on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the School District's management in a separate letter dated March 7, 2008.

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Compliance and Other Matters

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

We did note certain noncompliance matters that we reported to the School District's management in a separate letter dated March 7, 2008.

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. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 7, 2008



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 the Maysville Local School District, Muskingum County, Ohio (the "School District"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. 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 its 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 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 apply to its major federal program for the year ended June 30, 2007.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.



Mary Taylor, CPA
Auditor of State

March 7, 2008

**MAYSVILLE LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



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
APRIL 3, 2008**