



Mary Taylor, CPA
Auditor of State

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

West Muskingum Local School District
Muskingum County
4880 West Pike
Zanesville, Ohio 43701

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio, as of June 30, 2008, 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.

The School District is experiencing certain financial difficulties. These conditions, and management's plan to address these conditions, are described in Note 22.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, 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 the Governmental Accounting Standards Board 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 Federal Awards Receipts and Expenditures Schedule 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 Federal Awards Receipts and Expenditures 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 16, 2009

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the West Muskingum 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, 2008. 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 2008 are as follows:

- Net assets of governmental activities decreased \$3,261,618.
- Capital assets decreased \$974,195 primarily due to current year depreciation.
- General revenues accounted for \$11,606,318 in revenue or 76 percent of all revenues. Program specific revenues in the form of charges for services, and grants, contributions, and interest accounted for \$3,753,421, 24 percent of total revenues of \$15,359,739.
- The School District had \$18,621,357 in expenses related to governmental activities; only \$3,753,421 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$11,606,318 were not adequate to provide for these activities.

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 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.

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 2008?" 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.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
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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, the Debt Service Fund, the Permanent Improvement Capital Projects Fund, and the Classroom Facilities ELPP 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.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2008 compared to 2007.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2008</u>	<u>Restated 2007</u>	<u>Change</u>
Assets			
Current and Other Assets	\$19,391,881	\$19,952,571	(\$560,690)
Capital Assets	25,405,458	26,379,653	(974,195)
Total Assets	<u>44,797,339</u>	<u>46,332,224</u>	<u>(1,534,885)</u>
Liabilities			
Long-Term Liabilities	24,535,436	25,120,544	(585,108)
Other Liabilities	8,722,385	6,410,544	2,311,841
Total Liabilities	<u>33,257,821</u>	<u>31,531,088</u>	<u>1,726,733</u>
Net Assets			
Invested in Capital Assets, Net of Debt	2,210,664	3,360,118	(1,149,454)
Restricted	8,167,748	8,322,222	(154,474)
Unrestricted	1,161,106	3,118,796	(1,957,690)
Total Net Assets	<u>\$11,539,518</u>	<u>\$14,801,136</u>	<u>(\$3,261,618)</u>

Total assets decreased \$1,534,885. The majority of the decrease is primarily due to a decrease in property taxes receivable in the amount of \$234,836, a decrease in intergovernmental receivable in the amount of \$52,373, and a decrease in capital assets in the amount of \$974,195. Property taxes receivable decreased due to the phase out of personal property taxes in fiscal year 2009. The decrease in capital assets is due to current year depreciation which was offset by an increase in capital assets in the amount of \$221,491 due to current year acquisitions.

Total liabilities increased \$1,726,733. This increase is primarily due to an increase in deferred revenue in the amount of \$2,221,434. The increase in deferred revenue is due to the Muskingum County Auditor's Office converting their real estate taxes to a new software system. This conversion caused the second half real estate taxes that were normally collected in late June to not be due and collected until mid August, which will result in a decrease in 2008 revenue compared to 2007. The decrease in long-term liabilities is primarily due to the School District making a \$545,000 principal payment on the School Facilities Construction and Improvement Bonds and a \$73,196 principal payment on the outstanding capital leases.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, and comparisons to fiscal year 2007.

Table 2
Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services	\$1,468,004	\$1,365,122	\$102,882
Operating Grants, Contributions and Interest	2,244,141	2,293,132	(48,991)
Capital Grants and Contributions	41,276	111,325	(70,049)
	<u>3,753,421</u>	<u>3,769,579</u>	<u>(16,158)</u>
General Revenue			
Property Taxes	4,656,441	7,399,462	(2,743,021)
Gain on Sale of Capital Asset	5,526	4,631	895
Payment in Lieu of Taxes	1,564	171,947	(170,383)
Grants and Entitlements	6,587,996	6,206,058	381,938
Investment Earnings	211,753	336,233	(124,480)
Miscellaneous Revenue	143,038	150,393	(7,355)
	<u>11,606,318</u>	<u>14,268,724</u>	<u>(2,662,406)</u>
Total Revenues	<u>15,359,739</u>	<u>18,038,303</u>	<u>(2,678,564)</u>
Program Expenses			
Instruction			
Regular	7,461,255	7,359,819	101,436
Special	2,291,035	1,758,354	532,681
Vocational	296,748	321,276	(24,528)
Support Services			
Pupils	294,198	296,570	(2,372)
Instructional Staff	1,142,656	1,009,573	133,083
Board of Education	18,004	18,163	(159)
Administration	1,512,624	1,489,955	22,669
Fiscal	399,665	377,884	21,781
Operation and Maintenance of Plant	2,010,489	1,910,353	100,136
Pupil Transportation	985,398	931,487	53,911
Central	86,734	77,490	9,244
Operation of Non-Instructional Services			
Food Service Operations	721,067	722,391	(1,324)
Other	7,095	36,677	(29,582)
Extracurricular Activities	301,010	298,610	2,400
Interest and Fiscal Charges	1,093,379	1,108,379	(15,000)
Total Expenses	<u>18,621,357</u>	<u>17,716,981</u>	<u>904,376</u>
<i>Change in Net Assets</i>	<u>(3,261,618)</u>	<u>321,322</u>	<u>(3,582,940)</u>
Net Assets Beginning of Year (Restated)	<u>14,801,136</u>	<u>14,479,814</u>	<u>321,322</u>
Net Assets End of Year	<u>\$11,539,518</u>	<u>\$14,801,136</u>	<u>(\$3,261,618)</u>

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District's net assets decreased \$3,261,618. The majority of this decrease was due to a decrease in property tax revenue in the amount of \$2,743,021. The decrease in property taxes revenue is due to second half real estate taxes not being collected until mid-August resulting in a decrease in the amount available as an advance.

The increase in regular instruction expenses is primarily due to the School District negotiating a 1 percent base increase in addition to incremental step increases.

The increase in special instruction is due to the School District negotiating a 1 percent base increase in addition to incremental step increases. The School District created an additional special education position. Special education services provided by the Muskingum Valley Educational Service Center and other local school districts increased in the amount of \$64,000. Special education services provided by the Excel Academy increased in the amount of \$14,000 due to the School District contracting for additional services for an individual student. The School District hired an additional gifted teacher in the amount of \$25,000 and Title I and Title VI-B IDEA grant expenses increased in the amount of \$248,000.

The decrease in vocational instruction is due to the School District eliminating half of a vocational education position and extended service days.

The increase in instructional staff is due to an increase in professional development in the amount of \$29,000, an increase in paraprofessionals in the amount of \$42,000, and an increase in the amount of \$60,000 for a character education coach.

The increase in operation and maintenance expenses is primarily due to an increase in utilities. During fiscal year 2008, phone utilities increased \$13,000, electric increased \$45,000, and gas increased \$34,000.

In November of 2002, the residents of the School District passed a \$23,950,000 bond levy as part of the Expedited Local Partnership Program. The School District will build a new high school and renovate the middle school during phase one and build two new elementary buildings during phase two. Phase one construction costs will be funded entirely by local monies. Phase two monies will be funded through State monies which the School District is eligible for in 2010 to 2015. The total construction project is estimated at \$39,100,206.

Instructional programs comprise approximately 54 percent of total governmental program expenses. Of the instructional expenses, approximately 74 percent is for regular instruction, 23 percent for special instruction, and 3 percent for vocational instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions 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.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Governmental Activities

	2008 Total Cost of Services	2008 Net Cost of Services	2007 Total Cost of Services	2007 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,461,255	\$6,351,785	\$7,359,819	\$6,213,664
Special	2,291,035	1,217,637	1,758,354	858,826
Vocational	296,748	251,253	321,276	279,312
Support Services:				
Pupils	294,198	271,307	296,570	271,624
Instructional Staff	1,142,656	730,260	1,009,573	518,733
Board of Education	18,004	18,004	18,163	18,163
Administration	1,512,624	1,452,222	1,489,955	1,387,392
Fiscal	399,665	222,300	377,884	223,782
Operation and Maintenance of Plant	2,010,489	1,988,466	1,910,353	1,891,182
Pupil Transportation	985,398	968,338	931,487	862,058
Central	86,734	72,857	77,490	51,614
Operation of Non-Instructional Services				
Food Service Operations	721,067	41,552	722,391	32,132
Other	7,095	1,873	36,677	23,324
Extracurricular Activities	301,010	186,703	298,610	207,217
Interest and Fiscal Charges	1,093,379	1,093,379	1,108,379	1,108,379
Totals	<u>\$18,621,357</u>	<u>\$14,867,936</u>	<u>\$17,716,981</u>	<u>\$13,947,402</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 87 percent of instruction activities are supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,559,508, expenditures of \$18,740,033, and other financing sources of \$9,691.

General Fund

The fund balance of the General Fund at June 30, 2008 is (\$58,324), reflects a decrease of \$2,496,752. The majority of the decrease is due to a decrease in property taxes revenues in the amount of \$2,185,247. The decrease in property taxes revenue is due to a decrease in the amount available as an advance.

Other Governmental Major Funds

Debt Service Fund

The fund balance of the Debt Service Fund at June 30, 2008 is \$1,022,468, a decrease of \$456,426 from the prior year primarily due to a decrease in property tax revenue.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Permanent Improvement Fund

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2008 is \$1,084,789, an increase of \$132,829 from the prior year primarily due to a decrease in capital outlay expenditures. As of June 30, 2007, the School District completed the construction of an addition and renovations to the existing middle school building.

Classroom Facilities ELPP Fund

The fund balance of the Classroom Facilities ELPP Capital Projects Fund at June 30, 2008 is \$450,153, a decrease of \$345,483 from the prior year primarily due to a decrease in cash and cash equivalents and investments in the amount of \$380,619.

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 2008, the School District amended its General Fund appropriations although none were significant.

Budget basis revenue was \$13,868,191 compared to final estimates of \$13,954,920. Of this (\$86,729) difference, most was due to the School District not receiving their fiscal year 2008 compensation payment from the City of Zanesville until July 2008.

The School District's ending General Fund budgetary balance was \$833,654.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$25,405,458 invested in land, land improvements, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

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

	<u>Government Activities</u>	
	<u>2008</u>	<u>2007</u>
Land and Land Improvements	\$1,783,564	\$1,789,516
Buildings and Improvements	22,105,674	22,767,221
Furniture and Equipment	1,040,325	1,326,295
Vehicles	475,895	496,621
Totals	<u>\$25,405,458</u>	<u>\$26,379,653</u>

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

See Note 8 for additional information regarding capital assets.

Debt

At June 30, 2008, the School District had \$22,114,244 in 2003 general obligation bonds outstanding (including premiums and discounts), \$585,000 due within one year. The bonds were issued for school facilities construction and improvements. The bonds will be fully repaid by fiscal year 2031. Capital leases outstanding at June 30, 2008 were \$1,724,378 with \$71,378 due in one year. See Note 15 for more detailed information of the School District's debt.

Economic Factors

During fiscal year 2008, General Fund expenditures exceeded General Fund revenues despite the School District making budget cuts and implementing cost containment initiatives since fiscal year 2005. Due to the School District's declining financial position, the Board of Education implemented additional budget reductions beginning in fiscal year 2009 which included eliminating funding for all extracurricular activities including sports, eliminating high school busing, reducing busing services to all other students, reducing educational staff and intervention services, and reducing an administrative position. If the School District does not receive additional revenues before fiscal year 2010, over one million dollars in additional cuts will have to be made, which will have a devastating effect on the students within the School District.

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 Tammira S. Miller, Treasurer/CFO at West Muskingum Local School District, 4880 West Pike, Zanesville, Ohio 43701. You may also e-mail the treasurer at tmiller@laca.org.

West Muskingum Local School District, Ohio

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,636,179
Accounts Receivable	20,365
Intergovernmental Receivable	508,420
Prepaid Items	41,962
Inventory Held for Resale	20,780
Accrued Interest Receivable	13,030
Materials and Supplies Inventory	8,462
Property Taxes Receivable	7,113,521
Payment in Lieu of Taxes Receivable	5,806,904
Deferred Charges	222,258
Nondepreciable Capital Assets	674,756
Depreciable Capital Assets, Net	<u>24,730,702</u>
<i>Total Assets</i>	<u>44,797,339</u>
Liabilities	
Matured Compensated Absences	32,857
Accounts Payable	107,622
Accrued Wages and Benefits	1,329,961
Retirement Incentive Payable	14,000
Accrued Interest Payable	84,085
Deferred Revenue	6,407,459
Intergovernmental Payable	575,618
Claims Payable	170,783
Long-Term Liabilities:	
Due Within One Year	699,655
Due In More Than One Year	<u>23,835,781</u>
<i>Total Liabilities</i>	<u>33,257,821</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,210,664
Restricted for:	
Capital Projects	7,314,168
Debt Service	634,566
Budget Stabilization	50,193
Bus Purchase	6,249
Title VI-B Programs	84,882
Other Purposes	77,690
Unrestricted	<u>1,161,106</u>
<i>Total Net Assets</i>	<u><u>\$11,539,518</u></u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,461,255	\$939,549	\$165,197	\$4,724	(\$6,351,785)
Special	2,291,035	12,677	1,060,721	0	(1,217,637)
Vocational	296,748	7,693	37,802	0	(251,253)
Support Services:					
Pupils	294,198	0	22,891	0	(271,307)
Instructional Staff	1,142,656	1,359	410,299	738	(730,260)
Board of Education	18,004	0	0	0	(18,004)
Administration	1,512,624	58,871	1,531	0	(1,452,222)
Fiscal	399,665	0	177,365	0	(222,300)
Operation and Maintenance of Plant	2,010,489	22,023	0	0	(1,988,466)
Pupil Transportation	985,398	0	0	17,060	(968,338)
Central	86,734	0	13,877	0	(72,857)
Operation of Non-Instructional Services:					
Food Service Operations	721,067	332,798	346,717	0	(41,552)
Other Non-Instructional Services	7,095	0	5,222	0	(1,873)
Extracurricular Activities	301,010	93,034	2,519	18,754	(186,703)
Interest and Fiscal Charges	1,093,379	0	0	0	(1,093,379)
Totals	\$18,621,357	\$1,468,004	\$2,244,141	\$41,276	(14,867,936)

General Revenues

Property Taxes Levied for:	
General Purposes	3,689,755
Debt Service	966,686
Gain on Sale of Capital Asset	5,526
Payment in Lieu of Taxes	1,564
Grants and Entitlements not Restricted to Specific Programs	6,587,996
Investment Earnings	211,753
Miscellaneous	143,038
Total General Revenues	11,606,318
<i>Change in Net Assets</i>	<i>(3,261,618)</i>
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<i>14,801,136</i>
<i>Net Assets End of Year</i>	<i>11,539,518</i>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	Debt Service	Permanent Improvement	Classroom Facilitites ELPP Project	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,236,271	\$973,517	\$1,084,789	\$450,153	\$592,733	\$4,337,463
Accounts Receivable	19,632	0	0	0	733	20,365
Payment in Lieu of Taxes Receivable	0	27,678	5,779,226	0	0	5,806,904
Interfund Receivable	46,844	0	0	0	0	46,844
Intergovernmental Receivable	135,016	0	0	0	373,404	508,420
Accrued Interest Receivable	13,030	0	0	0	0	13,030
Due from Other Funds	0	0	0	0	8,671	8,671
Prepaid Items	41,962	0	0	0	0	41,962
Inventory Held for Resale	0	0	0	0	20,780	20,780
Materials and Supplies Inventory	5,234	0	0	0	3,228	8,462
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	50,193	0	0	0	0	50,193
Property Taxes Receivable	5,624,417	1,489,104	0	0	0	7,113,521
Total Assets	\$7,172,599	\$2,490,299	\$6,864,015	\$450,153	\$999,549	\$17,976,615
Liabilities						
Accounts Payable	\$96,107	\$0	\$0	\$0	\$11,515	\$107,622
Accrued Wages and Benefits	1,111,304	0	0	0	218,657	1,329,961
Matured Compensated Absences	32,857	0	0	0	0	32,857
Due to Other Funds	8,671	0	0	0	0	8,671
Interfund Payable	0	0	0	0	46,844	46,844
Deferred Revenue	5,463,911	1,467,831	5,779,226	0	167,041	12,878,009
Intergovernmental Payable	518,073	0	0	0	57,545	575,618
Total Liabilities	7,230,923	1,467,831	5,779,226	0	501,602	14,979,582
Fund Balances						
Reserved for Encumbrances	416,197	0	35,541	64,636	54,840	571,214
Reserved for Budget Stabilization	50,193	0	0	0	0	50,193
Reserved for Bus Purchase	6,249	0	0	0	0	6,249
Reserved for Property Taxes	173,359	48,951	0	0	0	222,310
Unreserved:						
Undesignated, Reported in:						
General Fund (Deficit)	(704,322)	0	0	0	0	(704,322)
Special Revenue Funds	0	0	0	0	263,817	263,817
Debt Service Fund	0	973,517	0	0	0	973,517
Capital Projects Funds	0	0	1,049,248	385,517	179,290	1,614,055
Total Fund Balances (Deficit)	(58,324)	1,022,468	1,084,789	450,153	497,947	2,997,033
Total Liabilities and Fund Balances	\$7,172,599	\$2,490,299	\$6,864,015	\$450,153	\$999,549	\$17,976,615

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
*Reconciliation of Total Governmental Funds Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances	\$2,997,033
 <i>Amounts reported for governmental activities in the statement of net assets are different because of the following:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,405,458
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:	
Property Taxes Receivable	483,752
Payment in Lieu of Taxes Receivable	5,806,904
Accrued Interest Receivable	12,853
Intergovernmental Receivable	<u>167,041</u>
	6,470,550
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.	1,077,740
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.	222,258
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Bonds Payable	(22,114,244)
Accrued Interest Payable	(84,085)
Capital Leases Payable	(1,724,378)
Retirement Incentive	(14,000)
Compensated Absences	<u>(696,814)</u>
	<u>(24,633,521)</u>
Net Assets of Governmental Activities	<u>\$11,539,518</u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Debt Service	Permanent Improvement	Classroom Facilities ELPP Project	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$3,687,987	\$953,049	\$0	\$0	\$0	\$4,641,036
Payment in Lieu of Taxes	1,364	5,271	175,739	0	0	182,374
Intergovernmental	6,965,277	177,365	0	0	1,779,864	8,922,506
Interest	171,160	525	0	6,345	8,877	186,907
Tuition and Fees	959,467	0	0	0	0	959,467
Extracurricular Activities	0	0	0	0	153,716	153,716
Rentals	22,023	0	0	0	0	22,023
Charges for Services	0	0	0	0	332,798	332,798
Contributions and Donations	114	0	0	0	6,602	6,716
Miscellaneous	151,965	0	0	0	0	151,965
Total Revenues	11,959,357	1,136,210	175,739	6,345	2,281,857	15,559,508
Expenditures						
Current:						
Instruction:						
Regular	6,917,886	0	0	0	206,486	7,124,372
Special	1,412,732	0	0	0	836,751	2,249,483
Vocational	262,056	0	0	0	4,041	266,097
Support Services:						
Pupils	273,111	0	0	0	22,325	295,436
Instructional Staff	675,688	0	0	0	426,693	1,102,381
Board of Education	18,004	0	0	0	0	18,004
Administration	1,399,928	0	0	0	73,119	1,473,047
Fiscal	373,766	32,481	0	300	0	406,547
Operation and Maintenance of Plant	1,656,695	0	0	338,307	0	1,995,002
Pupil Transportation	1,006,985	0	0	0	0	1,006,985
Central	68,018	0	0	0	18,716	86,734
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	626,866	626,866
Other Non-Instructional Services	687	0	0	0	6,408	7,095
Extracurricular Activities	164,650	0	0	0	103,022	267,672
Capital Outlay	5,202	0	77,910	13,221	0	96,333
Debt Service:						
Principal Retirement	73,196	545,000	0	0	0	618,196
Interest and Fiscal Charges	84,628	1,015,155	0	0	0	1,099,783
Total Expenditures	14,393,232	1,592,636	77,910	351,828	2,324,427	18,740,033
Excess of Revenues Over (Under) Expenditures:	(2,433,875)	(456,426)	97,829	(345,483)	(42,570)	(3,180,525)
Other Financing Sources (Use)						
Proceeds from Sale of Capital Assets	9,691	0	0	0	0	9,691
Transfers In	0	0	35,000	0	37,568	72,568
Transfers Out	(72,568)	0	0	0	0	(72,568)
Total Other Financing Sources (Use)	(62,877)	0	35,000	0	37,568	9,691
Net Change in Fund Balances	(2,496,752)	(456,426)	132,829	(345,483)	(5,002)	(3,170,834)
Fund Balances Beginning of Year (Restated - See Note 3)	2,438,428	1,478,894	951,960	795,636	502,949	6,167,867
Fund Balances (Deficit) End of Year	(\$58,324)	\$1,022,468	\$1,084,789	\$450,153	\$497,947	\$2,997,033

See accompanying notes to the basic financial statements

West Muskingum 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, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$3,170,834)

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

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 outlay exceeded depreciation in the current year:

Capital Assets Additions	202,737	
Capital Contributions	18,754	
Current Year Depreciation	<u>(1,191,521)</u>	(970,030)

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

Proceeds from Sale of Capital Assets	(9,691)	
Gain on the Sale of Capital Assets	<u>5,526</u>	(4,165)

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

Property Taxes	15,405	
Payment in Lieu of Taxes	(180,810)	
Accounts Receivable	(8,927)	
Intergovernmental	(74,563)	
Interest	<u>(9,088)</u>	(257,983)

Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Retirement Incentive Payable	14,000	
Compensated Absences	<u>(48,275)</u>	(34,275)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums, discounts, and and issuance costs are reported on the statement of activities:

Discount Amortization	(3,412)	
Premium Amortization	18,599	
Issuance Costs Amortization	(9,805)	
Accrued Interest Payable	<u>1,022</u>	6,404

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 618,196

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. The net loss of the internal service fund is reported with governmental activities. 551,069

Change in Net Assets of Governmental Activities (\$3,261,618)

See accompanying notes to the basic financial statements

West Muskingum 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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,673,573	\$5,603,247	\$5,626,716	\$23,469
Payment in Lieu of Taxes	65,000	98,000	1,364	(96,636)
Intergovernmental	6,771,500	6,893,092	6,885,403	(7,689)
Interest	0	200,000	191,668	(8,332)
Tuition and Fees	1,031,721	956,690	953,708	(2,982)
Rent	0	20,000	21,638	1,638
Gifts and Donations	0	0	114	114
Miscellaneous	130,000	183,891	187,580	3,689
<i>Total Revenues</i>	13,671,794	13,954,920	13,868,191	(86,729)
Expenditures				
Current:				
Instruction:				
Regular	7,154,068	7,319,025	7,060,835	258,190
Special	1,402,016	1,402,016	1,398,228	3,788
Vocational	255,757	255,757	268,472	(12,715)
Support Services:				
Pupils	266,632	266,632	251,515	15,117
Instructional Staff	661,471	661,471	656,268	5,203
Board of Education	19,601	19,601	18,159	1,442
Administration	1,358,063	1,358,065	1,393,882	(35,817)
Fiscal	369,827	369,827	371,208	(1,381)
Operation and Maintenance of Plant	1,674,324	1,674,324	1,739,063	(64,739)
Pupil Transportation	1,152,961	1,002,962	1,178,925	(175,963)
Central	80,858	80,858	70,815	10,043
Non-Instructional Services	19,650	19,650	2,381	17,269
Extracurricular Activities	166,969	166,969	165,103	1,866
Capital Outlay	0	0	8,402	(8,402)
Debt Service:				
Principal Retirement	39,000	39,000	39,000	0
Interest and Fiscal Charges	81,192	81,192	81,192	0
<i>Total Expenditures</i>	14,702,389	14,717,349	14,703,448	13,901
<i>Excess of Revenues Under Expenditures</i>	(1,030,595)	(762,429)	(835,257)	(72,828)
Other Financing Source (Uses)				
Proceeds from Sale of Capital Assets	0	5,259	9,691	4,432
Transfers Out	(70,000)	(70,000)	(72,568)	(2,568)
Advances In	100,000	209,000	221,000	12,000
Advances Out	(94,000)	(357,325)	(116,000)	241,325
<i>Total Other Financing Source (Uses)</i>	(64,000)	(213,066)	42,123	255,189
<i>Net Change in Fund Balance</i>	(1,094,595)	(975,495)	(793,134)	182,361
<i>Fund Balance Beginning of Year</i>	1,233,576	1,233,576	1,233,576	0
Prior Year Encumbrances Appropriated	393,212	393,212	393,212	0
<i>Fund Balance End of Year</i>	\$532,193	\$651,293	\$833,654	\$182,361

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2008

	<u>Self- Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,248,523
Current Liabilities	
Claims Payable	<u>170,783</u>
Net Assets	
Unrestricted	<u><u>\$1,077,740</u></u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self- Insurance
Operating Revenues	
Charges for Services	\$1,801,653
Operating Expenses	
Purchased Services	358,305
Claims	926,213
<i>Total Operating Expenses</i>	1,284,518
<i>Operating Income</i>	517,135
Non-Operating Revenues	
Interest Income	33,934
<i>Change in Net Assets</i>	551,069
<i>Net Assets at Beginning of Year</i>	526,671
<i>Net Assets at End of Year</i>	\$1,077,740

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2008

	<u>Self- Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$1,801,653
Cash Payments to Suppliers for Services	(358,305)
Cash Payments for Claims	<u>(1,007,948)</u>
<i>Net Cash Provided by Operating Activities</i>	435,400
Cash Flows from Investing Activities	
Interest on Investments	<u>33,934</u>
<i>Net Increase in Cash and Cash Equivalents</i>	469,334
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>779,189</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,248,523</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$517,135
Changes in Liabilities	
Decrease in Claims Payable	<u>(81,735)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$435,400</u></u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	\$53,098
	<hr/>
<i>Total Assets</i>	<i>\$53,098</i>
	<hr/> <hr/>
Liabilities	
Due to Students	\$53,098
	<hr/>
<i>Total Liabilities</i>	<i>\$53,098</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

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West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

West Muskingum 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 was formed in 1960 and 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 is the 287th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 76 classified employees, 124 certificated full-time teaching personnel, and 12 administrative employees who provide services to 1,874 students and other community members. The School District currently operates six instructional buildings and one administrative building.

Reporting Entity

A reporting entity is composed 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, and student related activities of the School District.

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

The School District participates in four jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Mid-East Career and Technology Center, the Metropolitan Educational Council, the Coalition of Rural and Appalachian Schools, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 has no business-type activities.

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 fund 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 General Fund, Debt Service Fund, the Permanent Improvement Fund Capital Projects Fund, and the Classroom Facilities ELPP Capital Projects Fund are the major funds of the School District. The following is a description of these 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Debt Service Fund The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

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

Classroom Facilities ELPP (Expedited Local Partnership Program) Fund The Classroom Facilities ELPP Capital Projects Fund is used to account for the revenues and expenditures related to the construction and renovations of facilities of the School District being financed through bonds.

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

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

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

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 (i.e. revenues) and decreases (i.e. 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 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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, payment in lieu of taxes, 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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as equity in pooled cash and cash equivalents.

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

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 general fund during fiscal year 2008 amounted to \$171,160, which includes \$32,831 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, 2008, 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 expenditure/expense 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 expended/expensed when used.

Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. 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 backtrending (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 capital 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

All reported capital assets, except land and some land improvements, 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	10-20 years
Buildings and Improvements	20-40 years
Furniture and Fixtures	5-25 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets.

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include 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. During fiscal year 2008, the reserve for bus purchase includes an intergovernmental receivable. 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 after fifteen years of current service with the School District.

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

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 funds from which these payments will be made.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements.

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.

N. Fund Balance Reserves

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

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

O. 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.

Net assets restricted for other purposes include resources restricted for food service operations and 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

Q. 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.

R. 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.

S. 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 sets 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.

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 final amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

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.

T. Unamortized Issuance Costs/ Bond Premium and Discount

In the government-wide financial statements bond issuance costs, bond premiums and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance and Net Assets

A. Changes in Accounting Principles

For 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and the STRS post-employment healthcare plans in the amount of \$29,929 and \$9,092 respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Restatement of Fund Balance and Net Assets

During 2008, the School District determined that revenue and receivables related to the School District’s payment in lieu of taxes receivable were misstated. This adjustment had the following effect on fund balance as previously reported at June 30, 2007.

	General Fund	Debt Service	Permanent Improvement	Classroom Facilities ELPP Project	Other Governmental Funds	Total Governmental Funds
<u>Governmental Activities:</u>						
Fund Balances as Previously Reported	\$2,462,880	\$1,484,136	\$951,960	\$795,636	\$502,949	\$6,197,561
Payment in Lieu of Taxes Receivable	(24,452)	(5,242)	0	0	0	(29,694)
Adjusted Fund Balance June 30, 2007	<u>\$2,438,428</u>	<u>\$1,478,894</u>	<u>\$951,960</u>	<u>\$795,636</u>	<u>\$502,949</u>	<u>\$6,167,867</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The adjustment had the following effect on net assets as previously reported at June 30, 2007.

	<u>Governmental Activities</u>
Governmental Activities Net Assets as Previously Reported	\$8,843,116
Payment in Lieu of Taxes Receivable	5,958,020
Adjusted Governmental Activities Net Assets, June 30, 2007	\$14,801,136

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) presented 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 (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	(\$2,496,752)
Net Adjustment for Revenue Accruals	1,888,339
Net Adjustment for Expenditure Accruals	176,574
Beginning of Fiscal Year:	
Unrecorded Cash	20,799
Prepaid Items	44,843
Fair Value Adjustment for Investments	(261)
End of Fiscal Year:	
Unrecorded Cash	(43)
Prepaid Items	(41,962)
Advances In	221,000
Advances Out	(116,000)
Adjustment for Encumbrances	(489,671)
Budget Basis	(\$793,134)

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 5 - Deposits and Investments

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

Active deposits 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 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;
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 (1) or (2) above;
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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,909,159 of the School District's bank balance of \$6,459,159 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.

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 property, public utility and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2007, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property tax) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. 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 2008 is 6.25 percent and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Muskingum and Licking County. The County Auditors 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Accrued property taxes receivable includes real property, public utility property, tangible personal property taxes, and the late June personal property settlement which are measurable as of June 30, 2008 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 and the late June personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2008, was \$222,310. \$173,359 was available to the General Fund and \$48,951 was available to the Debt Service Fund. The amount available as an advance at June 30, 2007, was \$2,693,985. \$2,112,088 was available to the General Fund and \$581,897 was available to the Debt Service Fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$268,882,680	92.02%	\$273,477,120	93.84%
Public Utility Personal	9,104,550	3.12%	8,192,620	2.81%
General Business Personal	14,210,269	4.86%	9,755,686	3.35%
Total	\$292,197,499	100.00%	\$291,425,426	100.00%
Tax rate per \$1,000 of assessed valuation	\$46.80		\$46.80	

Note 7 - Receivables

Receivables at June 30, 2008, consisted of property taxes, payment in lieu of 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 and payment in lieu of 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Muskingum Valley ESC Reimbursements	\$1,522
Bus Purchase Reimbursement	6,249
Bureau of Workers' Compensation Refund	1,116
Career Tech Weighted Average Adjustment	7,693
Federal Breakfast Reimbursement	2,616
Ohio Department of Tax Motor Fuel Tax Refund	1,525
Care Team Reimbursement	1,392
City of Zanesville Reimbursement	116,911
Title VI-B Special Education Grant	161,894
Title I Grant	160,345
Title V Grant	2,605
Title II-A Grant	14,208
Title II-D Grant	121
Title VI-B Rural and Low Income	30,148
Miscellaneous Reimbursement	75
Total	<u><u>\$508,420</u></u>

On July 22, 2004, Muskingum County entered into an enterprise zone agreement with Worthington Foods, Inc. for the purpose of constructing a new facility, improving an existing building, and acquiring inventory to establish a new distribution facility. To encourage these improvements, the property owner was granted a 100 percent exemption from paying real and personal property taxes on the new construction; however, the property owner is required to make payment in lieu of taxes. The School District has agreed to this project and is being made whole for lost real and personal property taxes by receiving payments in lieu of taxes in an amount equal to the real and personal property taxes that otherwise would have been due each year, pursuant to the financing agreement. Subsequent to the phase out of tangible personal property taxes, the School District will continue to receive payments in lieu of taxes in an amount equal to real property that otherwise would have been due each year. The property owner makes payment in lieu of taxes to Muskingum County which are distributed to the School District. These payments are being use to finance improvements and will continue over ten years.

On December 27, 2006, the City of Zanesville entered into a tax increment financing agreement with Sam's Club, Community Bank, and the Golden Corral for the purpose of public infrastructure improvements consisting of designing, engineering, improving, and constructing a new four-lane roadway and constructing water and sewer upgrades therewith. To encourage these improvements, property owners were granted an exemption from paying real property taxes on the new construction. Sam's Club was granted a 100 percent, thirty-year real property taxes exemption and the Community Bank and Golden Corral were granted a 75 percent, ten year real property taxes exemption. The School District has agreed to this project and is being made whole for lost real property taxes that otherwise would have been due each year, pursuant to the financing agreement. The property owners make payment in lieu of taxes to the City of Zanesville which are distributed to the School District. These payments are being used to finance infrastructure improvements and will continue over ten to thirty years. Based upon the provisions of the agreement, the payments in lieu of taxes include scheduled increases over the thirty year period of the school compensation agreement.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Nondepreciable Capital Assets				
Land	\$258,917	\$0	\$0	\$258,917
Land Improvements	415,839	0	0	415,839
Total Non-Depreciable Capital Assets	<u>674,756</u>	<u>0</u>	<u>0</u>	<u>674,756</u>
Depreciable Capital Assets				
Land Improvements	1,562,590	83,721	(12,243)	1,634,068
Building and Improvements	27,658,813	0	0	27,658,813
Furniture and Equipment	2,399,022	47,864	(18,950)	2,427,936
Vehicles	1,458,911	89,906	(69,693)	1,479,124
Total at Historical Cost	<u>33,079,336</u>	<u>221,491</u>	<u>(100,886)</u>	<u>33,199,941</u>
Less Accumulated Depreciation				
Land Improvements	(447,830)	(89,367)	11,937	(525,260)
Buildings and Improvements	(4,891,592)	(661,547)	0	(5,553,139)
Furniture and Equipment	(1,072,727)	(333,834)	18,950	(1,387,611)
Vehicles	(962,290)	(106,773)	65,834	(1,003,229)
Total Accumulated Depreciation	<u>(7,374,439)</u>	<u>(1,191,521) *</u>	<u>96,721</u>	<u>(8,469,239)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>25,704,897</u>	<u>(970,030)</u>	<u>(4,165)</u>	<u>24,730,702</u>
Governmental Activities Capital Assets, Net	<u>\$26,379,653</u>	<u>(\$970,030)</u>	<u>(\$4,165)</u>	<u>\$25,405,458</u>

During fiscal year 2008, the Falls Elementary Home and School League donated \$18,754 in playground equipment. This amount is reflected within Capital Grants and Contributions on the Statement of Activities.

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$557,707
Special	84,930
Vocational	27,266
Support Services:	
Pupils	15,635
Instructional Staff	85,857
Administration	93,422
Operation of Maintenance and Plant	62,227
Pupil Transportation	103,973
Extracurricular	33,338
Food Service Operations	127,166
Total Depreciation Expense	<u>\$1,191,521</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 9 – Interfund Activity

During fiscal year 2008, the School District advanced \$46,844 from the General Fund. \$10,000 was advanced to the State Grant Funds Special Revenue Fund for Care Team grant monies not received by fiscal year end. \$36,844 was advanced to the Title VI-B Special Revenue Fund to subsidize a negative cash balance. All advances will be repaid in fiscal year 2009.

At June 30, 2008, the General Fund owed the Food Service Special Revenue Fund \$8,671 in interest revenue. This amount will be repaid in fiscal year 2009.

Transfers made during fiscal year 2008 were \$72,568 from the General Fund. \$35,000 was transferred to the Permanent Improvement Capital Projects Fund for emergency repairs, \$35,000 to the Technology Capital Projects Fund to purchase computers, and \$2,568 to the Miscellaneous Local Funds for the soccer program.

Note 10 - Risk Management

A. Property and Liability

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 2008, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 17).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$47,461,838
Steam Boiler (\$1,000 deductible)	47,461,838
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 deductible)	1,000,000
Audio Visual Equipment (\$1,000)	100,000
Musical Instruments (\$1,000)	100,000
Electronic Equipment (\$25,000)	1,500,000
Employee Theft (\$1,000)	\$50,000
Forgery or Alteration (\$1,000)	50,000
Automobile Liability (\$1,000 deductible)	2,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Fire Damage	500,000
Medical Expense	10,000

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Employee Benefits Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
 Employer's Liability	 1,000,000
 Educational Legal Liability	
Errors and Omissions Injury Limit (\$2,500 deductible)	1,000,000
Aggregate Per Year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2008.

B. Worker's Compensation

For fiscal year 2008, 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 Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical and dental 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 \$170,783 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$35,000 annually.

Changes in the fund's claims liability amount in fiscal years 2007 and 2008 were:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2007	\$217,984	\$1,363,098	\$1,328,564	\$252,518
2008	252,518	926,213	1,007,948	170,783

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for certified and classified employees. Upon retirement, certified employees receive payment for one-fourth of their total sick leave accumulation up to 55 days. Classified employees, upon retirement, receive payment for one-third of the total sick leave accumulation up to 49 days.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company.

C. Retirement Incentive

Upon reaching 30 years of retirement credit in the State Teachers Retirement System (STRS), teachers become eligible to receive a \$12,000 retirement bonus (incentive), providing they retire in their 30th year. The benefit will be paid in a lump sum payment at the time of retirement. Teachers who receive the bonus and who have worked 25 years or more in the District receive an additional \$2,000.

Non-certified employees who retire with a minimum of 25 years of SERS service, ten of which have been earned as an employee of the District, receive an additional five days of severance pay calculated at the employee's rate of pay at the time of retirement.

During fiscal year 2008, the School District paid \$28,000 in retirement incentives that were accrued as liabilities at June 30, 2007. At June 30, 2008 \$14,000 in retirement incentives was accrued as a liability.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Funding Policy - 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$177,130, \$165,941 and \$163,846 respectively; 49.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, 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 2007, 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$853,666, \$811,824, and \$827,366 respectively; 80.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$272 made by the School District and \$17,236 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, two members of the Board of Education elected Social Security. The contribution rate is 6.2 percent of wages.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$27,126.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$107,956, \$85,402, and \$87,330 respectively; 62.14 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,763, \$11,284, and \$13,041 respectively; 49.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$65,688, \$62,488, and \$63,644 respectively; 80.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 14 - Capitalized Leases

In prior years, the School District entered into capitalized leases for copiers, fitness equipment, and to construct, renovate, improve, furnish, and equip an addition to the School District’s existing middle school. 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.

During fiscal year 2006, the School District entered into a capital lease with the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program to construct, renovate, improve, furnish, and equip an addition to the School District’s existing middle school. The building and equipment constructed and acquired by the lease has been capitalized in the government-wide statements in the amount of \$1,800,000, which is equal to the present value of the future minimum lease payments at the time of acquisition.

The copiers were originally capitalized in the amount of \$158,384. This amount represents the present value of the minimum lease payments at the time of acquisition.

The accumulated depreciation on the building and equipment as of June 30, 2008, was \$191,821. Principal payments in fiscal year 2008 totaled \$73,196 in the governmental funds.

The following is a schedule of capital assets acquired through capital leases at June 30, 2008 for governmental funds:

Capitalized Leased Assets	Present Value of Future Minimum Lease Payments	Less Accumulated Depreciation 6/30/2008	Net of Accumulated Depreciation
Governmental Activities:			
Building	\$1,800,000	\$45,000	\$1,755,000
Equipment	158,384	146,821	11,563
Total Governmental Activities	<u>\$1,958,384</u>	<u>\$191,821</u>	<u>\$1,766,563</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	OASBO Expanded Asset Pooled Financing Program	Equipment
2009	\$117,823	\$31,360
2010	116,964	0
2011	117,059	0
2012	117,063	0
2013	116,977	0
2014-2018	586,923	0
2019-2023	586,262	0
2024-2028	586,596	0
2029-2032	468,660	0
Total Minimum Lease Payments	2,814,327	31,360
Less: Amount Representing Interest	(1,120,327)	(982)
Present Value of Minimum Lease Payments	<u>\$1,694,000</u>	<u>\$30,378</u>

Note 15 - Long Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/2007	Additions	Reductions	Principal Outstanding 6/30/2008	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
School Facilities Construction and Improvements					
Serial Bonds - \$4,735,000 - 2.00% - 3.60%	\$3,100,000	\$0	\$545,000	\$2,555,000	\$585,000
Term Bonds - \$19,215,000 - 4.00% - 5.00%	19,215,000	0	0	19,215,000	0
Serial/Term Bonds Bond Premium	440,169	0	18,599	421,570	0
Serial/Term Bond Discount	(80,738)	0	(3,412)	(77,326)	0
Total General Obligation Bonds	<u>22,674,431</u>	<u>0</u>	<u>560,187</u>	<u>22,114,244</u>	<u>585,000</u>
Capital Leases	1,797,574	0	73,196	1,724,378	71,378
Compensated Absences Payable	648,539	130,727	82,452	696,814	43,277
Total Governmental Activities					
Long-Term Liabilities	<u>\$25,120,544</u>	<u>\$130,727</u>	<u>\$715,835</u>	<u>\$24,535,436</u>	<u>\$699,655</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

On March 10, 2003, the School District issued \$23,950,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amounts of \$4,735,000 and \$19,215,000, respectively. The bonds will be retired from the Debt Service Fund. The serial and a portion of the term bonds were sold at a premium of \$520,765, with a portion of the term bonds being sold at a discount of \$95,523. Issuance costs associated with the bond issue were \$274,552 and are deferred. The fiscal year 2008, issuance costs of \$9,805 were amortized. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030. In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new buildings. The School District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every five years for the term of the bonds.

The term bonds maturing on December 1, 2010 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2009	\$350,000

The remaining principal amount of such bonds (\$390,000) will be paid at stated maturity on December 1, 2010.

The term bonds maturing on December 1, 2017 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$605,000
2016	655,000
Total	<u>\$1,260,000</u>

The remaining principal amount of such bonds (\$710,000) will be paid at stated maturity on December 1, 2017.

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$765,000
2019	835,000
2020	905,000
2021	980,000
2022	1,060,000
2023	1,145,000
Total	<u>\$5,690,000</u>

The remaining principal amount of such bonds (\$1,235,000) will be paid at stated maturity on December 1, 2024.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$1,330,000

The remaining principal amount of such bonds (\$1,425,000) will be paid at stated maturity on December 1, 2026.

The term bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2027	\$1,525,000
2028	1,640,000
2029	1,765,000
Total	<u>\$4,930,000</u>

The remaining principal amount of such bonds (\$1,895,000) will be paid at stated maturity on December 1, 2030.

Principal and interest requirements to retire the long-term general obligation bonds outstanding at June 30, 2007, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$585,000	\$1,001,346	\$1,586,346
2010	350,000	985,793	1,335,793
2011	390,000	969,143	1,359,143
2012	430,000	952,843	1,382,843
2013	470,000	936,799	1,406,799
2014-2018	3,040,000	4,376,358	7,416,358
2019-2023	4,545,000	3,526,000	8,071,000
2024-2028	6,660,000	2,163,438	8,823,438
2029-2031	5,300,000	410,250	5,710,250
Totals	<u>\$21,770,000</u>	<u>\$15,321,970</u>	<u>\$37,091,970</u>

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

The School District's overall legal debt margin at June 30, 2008, was \$3,531,684, with an unvoted debt margin of \$281,130.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 no equity interest exists.

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2008 were \$101,298. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

B. Mid-East Career and Technology Center

The Mid-East Career and Technology Center 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 member 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 District's continued participation and no equity interest exists. During fiscal year 2008, the School District made no contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of 166 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2008, the School District made a payment of \$686 to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Denise Canfield, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 134 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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. During fiscal year 2008, the School District made a payment of \$300 to the Coalition for a membership fee. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services.

The OSP's business and affairs are conducted by a twelve member Board of directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales and marketing.

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2008.

B. Litigation

The School District is currently not party to any litigation.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 19 - Set Asides

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for budget stabilization was deleted from law.

A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation refund monies remaining in the budget reserve set-aside.

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.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2007	(\$175,587)	\$0	\$50,193
Current Year Set-aside Requirement	297,955	297,955	0
Current Year Offsets	0	(1,703,534)	0
Qualifying Disbursements	<u>(364,648)</u>	<u>(94,286)</u>	<u>0</u>
Total	<u><u>(\$242,280)</u></u>	<u><u>(\$1,499,865)</u></u>	<u><u>\$50,193</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>(\$242,280)</u></u>	<u><u>\$0</u></u>	<u><u>\$50,193</u></u>

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

Note 20 – Accountability

The following funds had deficit fund balances at June 30, 2008.

<u>Major/ Nonmajor Funds</u>	<u>Deficit Fund Balances</u>
<u>Major Fund</u>	
General Fund	\$58,324
<u>Nonmajor Funds</u>	
State Grants	626
Title VI-B	5,629
Title I	8,738

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

Note 21 – Subsequent Event

In May 2009, the School District will be placing a 7.9 mill emergency operating levy on the ballot.

Note 22 – Fiscal Distress

Despite cutting programs and services over the last several years, revenues have not kept pace with expenditures. This has caused the financial condition of the District to deteriorate.

In addition to prior budget reductions, effective for fiscal year 2009, the District eliminated all funding for sports and extra-curricular programs, eliminated high school busing, reduced bussing services to K-8 students, cut staffing for elementary and middle school libraries, further reduced teaching assistants and teaching staff, reduced a secretary position, and cut the assistant superintendent position. Even with these massive cuts, the District was unable to balance the budget for 2009. As a result, mid-year reductions to the teaching staff were made in December, 2008 to help offset some of this budget deficit.

The District has placed a 7.9 mill emergency operating levy on the May ballot. The passage of this levy is crucial to the future of the District.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	10.550	N/A	\$	\$ 60,271	\$	\$ 60,271
Nutrition Cluster:						
School Breakfast Program	10.553	N/A	52,095		52,095	
National School Lunch Program	10.555	N/A	237,072		237,072	
Summer Food Service Program For Children	10.559	N/A	3,524		3,524	
Total - Nutrition Cluster			<u>292,691</u>	<u>0</u>	<u>292,691</u>	<u>0</u>
Total - United States Department of Agriculture			292,691	60,271	292,691	60,271
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Partners in Character Education and Passed Through Ohio Department of Education:</i>						
Fund for the Improvement of Education	84.215S	2007 2008	75,000		20,254 43,770	
Total Fund for the Improvement of Education			<u>75,000</u>	<u>0</u>	<u>64,024</u>	<u>0</u>
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	2007 2008	48,571 580,074		86,395 572,404	
Total Title I Grants to Local Educational Agencies			<u>628,645</u>	<u>0</u>	<u>658,799</u>	<u>0</u>
Special Education Grants to States	84.027	2007 2008	144,859 335,278		74,935 375,821	
Total Special Education Grants to States			<u>480,137</u>	<u>0</u>	<u>450,756</u>	<u>0</u>
Safe and Drug-Free Schools and Communities:						
State Grants	84.186	2008	11,153		11,153	
State Grants for Innovative Programs	84.298	2007 2008	(1,026) 3,023		(646)	
Total State Grants for Innovative Programs			<u>1,997</u>	<u>0</u>	<u>(646)</u>	<u>0</u>
Education Technology State Grants	84.318	2007 2008	(470) 6,182		4,304	
Total Education Technology State Grants			<u>5,712</u>	<u>0</u>	<u>4,304</u>	<u>0</u>
Rural Education	84.358	2008	22,225		18,525	
Improving Teacher Quality	84.367	2007 2008	11,683 98,781		15,964 92,261	
Total Improving Teacher Quality			<u>110,464</u>	<u>0</u>	<u>108,225</u>	<u>0</u>
Total United States Department of Education			<u>1,335,333</u>	<u>0</u>	<u>1,315,140</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,628,024</u>	<u>\$ 60,271</u>	<u>\$ 1,607,831</u>	<u>\$ 60,271</u>

The accompanying notes to the federal awards receipts and expenditures schedule are an integral part of this schedule.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS DUE TO CARRYOVER

During fiscal year 2008, the School District had grant carryover funding that was transferred from the program year 2007 grant to the program year 2008 grant. The following tables summarize the carryover funding between program years.

Grant Year 2007					
	CFDA No. 84.010	CFDA No. 84.027	CFDA No. 84.298	CFDA No. 84.318	CFDA No. 84.367
Grant Funds Received	\$53,000	\$167,611	\$0	\$0	\$13,447
Grant Carryover Amount	(\$4,429)	(\$22,752)	(\$1,026)	(\$470)	(\$1,764)
Amounts Per Schedule	\$48,571	\$144,859	(\$1,026)	(\$470)	\$11,683

Grant Year 2008					
	CFDA No. 84.010	CFDA No. 84.027	CFDA No. 84.298	CFDA No. 84.318	CFDA No. 84.367
Grant Funds Received	\$575,645	\$312,526	\$1,997	\$5,712	\$97,107
Grant Carryover Amount	\$4,429	\$22,752	\$1,026	\$470	\$1,764
Amounts Per Schedule	\$580,074	\$335,278	\$3,023	\$6,182	\$98,781



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*

West Muskingum Local School District
Muskingum County
4880 West Pike
Zanesville, Ohio 43701

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2009, wherein we noted the School District is experiencing certain financial difficulties. 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 audit 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. Accordingly, we have not opined 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 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.

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

Compliance and Other Matters

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

We did note a certain noncompliance matter that we reported to the School District's management in a separate letter dated March 16, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and 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 16, 2009



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

West Muskingum Local School District
Muskingum County
4880 West Pike
Zanesville, Ohio 43701

To the Board of Education:

Compliance

We have audited the compliance of the West Muskingum 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, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, 2008.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
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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 School District's ability to administer a federal program such that there is more than a remote likelihood that the School District'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, 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 16, 2009

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

WEST MUSKINGUM 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 14, 2009