



Dave Yost • Auditor of State

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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Dave Yost • 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, 2011, 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, 2011, 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.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the 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. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 9, 2012

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$925,166.
- Capital assets decreased \$943,712 primarily due to current year depreciation.
- General revenues accounted for \$14,878,719 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$4,340,934, 23 percent of total revenues of \$19,219,653.
- The School District had \$18,294,487 in expenses related to governmental activities; only \$4,340,934 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$14,878,719 were 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 2011?" 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
For the Fiscal Year Ended June 30, 2011
Unaudited

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 multitude 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, Debt Service Fund, and the Permanent Improvement Capital Projects Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Current and Other Assets	\$15,595,851	\$14,157,501	\$1,438,350
Capital Assets	22,590,718	23,534,430	(943,712)
Total Assets	<u>38,186,569</u>	<u>37,691,931</u>	<u>494,638</u>
Liabilities			
Long-Term Liabilities	23,066,109	23,591,471	(525,362)
Other Liabilities	8,836,883	8,742,049	94,834
Total Liabilities	<u>31,902,992</u>	<u>32,333,520</u>	<u>(430,528)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	783,857	1,279,436	(495,579)
Restricted	4,738,703	3,722,998	1,015,705
Unrestricted	761,017	355,977	405,040
Total Net Assets	<u>\$6,283,577</u>	<u>\$5,358,411</u>	<u>\$925,166</u>

The increase in current and other assets is primarily due to an increase in property taxes receivable in the amount of \$398,138 and an increase in cash and cash equivalents and investments in the amount of \$884,438. Property taxes receivable increased due to an increase in assessed values in fiscal year 2011. The increase in cash and cash equivalents and investments is primarily due to the increase in cash balances in the General Fund, Debt Service Fund, and in the Permanent Improvement Capital Projects Fund. The increases in cash balances for the General Fund and the Debt Service Fund were due to increases in property tax revenue collections due to an increase in property valuations as a result of previously abated commercial properties on which abatements expired and became taxable as new construction in 2010 and payable in 2011. The increase in the Permanent Improvement Capital Projects Fund was due to increase in payment in lieu of taxes revenue and the receipt of \$23,000 for proceeds from sale of capital assets. Expenses decreased in fiscal year 2011 compared to fiscal year 2010 which resulted in an increase of cash balances. The \$943,712 decrease in capital assets is primarily due to current year depreciation. Capital asset additions were \$201,814 and deletions were \$356,587.

The \$94,834 increase in other liabilities is primarily due to an increase in deferred revenue in the amount of \$120,416. All other liabilities remained fairly consistent. The increase in deferred revenue is due to the increase in taxes receivable. The \$525,362 decrease in long-term liabilities is primarily due to the School District making a \$390,000 principal payment on the School Facilities Construction and Improvement Bonds and a \$71,350 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, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, and comparisons to fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues			
Charges for Services	\$1,735,989	\$1,485,082	\$250,907
Operating Grants, Contributions and Interest	2,602,936	2,398,017	204,919
Capital Grants and Contributions	2,009	80,799	(78,790)
	<u>4,340,934</u>	<u>3,963,898</u>	<u>377,036</u>
General Revenue			
Property Taxes	7,310,992	6,463,423	847,569
Gain on Sale of Capital Asset	20,214	0	20,214
Payment in Lieu of Taxes	163,796	41,583	122,213
Grants and Entitlements	7,311,711	7,337,300	(25,589)
Investment Earnings	48,249	42,101	6,148
Miscellaneous Revenue	23,757	99,891	(76,134)
	<u>14,878,719</u>	<u>13,984,298</u>	<u>894,421</u>
Total Revenues	<u>19,219,653</u>	<u>17,948,196</u>	<u>1,271,457</u>
Program Expenses			
Instruction			
Regular	7,790,498	8,043,535	(253,037)
Special	2,640,501	2,436,007	204,494
Intergovernmental	11,046	0	11,046
Vocational	135,778	220,475	(84,697)
Student Intervention	94,277	169,124	(74,847)
Support Services			
Pupils	441,370	412,546	28,824
Instructional Staff	966,913	1,018,933	(52,020)
Board of Education	14,609	17,834	(3,225)
Administration	1,309,980	1,456,121	(146,141)
Fiscal	386,687	411,498	(24,811)
Operation and Maintenance of Plant	1,456,551	1,515,391	(58,840)
Pupil Transportation	953,413	980,027	(26,614)
Central	80,890	72,529	8,361
Operation of Non-Instructional Services			
Food Service Operations	741,542	746,011	(4,469)
Other	13,162	17,446	(4,284)
Extracurricular Activities	215,229	239,768	(24,539)
Interest and Fiscal Charges	1,042,041	1,062,554	(20,513)
Total Expenses	<u>18,294,487</u>	<u>18,819,799</u>	<u>(525,312)</u>
<i>Change in Net Assets</i>	925,166	(871,603)	1,796,769
Net Assets Beginning of Year	5,358,411	6,230,014	(871,603)
Net Assets End of Year	<u>\$6,283,577</u>	<u>\$5,358,411</u>	<u>\$925,166</u>

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District's net assets increased \$925,166. Revenues increased in fiscal year 2011 while expenditures decreased during fiscal year 2011. The increase in revenues was due to an increase in property taxes revenue in the amount of \$847,569, an increase in payment in lieu of taxes in the amount of \$122,213, an increase in charges for services in the amount of \$250,907, and an increase in operating grants, contributions, and interest in the amount of \$204,919. The increase in property taxes revenue was primarily due to increased assessed values due to commercial abatement terminations from fiscal year 2010 to fiscal year 2011. Charges for services increased in fiscal year 2011 in the area of tuition and fees due to increased open enrollment and tuition from other school districts. Operating grants, contributions, and interest increased in fiscal year 2011 due to two new grants, Education Jobs and the Race to the Top.

Overall expenses decreased in fiscal year 2011 compared to fiscal year 2010, due to personnel and program cuts made by the Board of Education to aid in increasing the School District's fund balances.

Instructional programs comprise approximately 58 percent of total governmental program expenses. Of the instructional expenses, approximately 73 percent is for regular instruction, 25 percent for special instruction and intergovernmental, 1 percent for vocational instruction, and 1 percent for student intervention.

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 built a new high school and renovated the middle school during phase one and two new elementary buildings will be built during phase two. Phase one construction costs were funded entirely by local monies. Phase two monies will be funded through State monies for which the School District is eligible beginning in 2010 and ending in 2015. The total construction project is estimated at \$39,100,206.

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, 2011
Unaudited

Table 3
Governmental Activities

	2011 Total Cost of Services	2011 Net Cost of Services	2010 Total Cost of Services	2010 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,790,498	\$6,444,476	\$8,043,535	\$7,002,475
Special	2,640,501	1,422,262	2,436,007	1,317,392
Intergovernmental	11,046	0	0	0
Vocational	135,778	111,211	220,475	120,909
Student Intervention	94,277	77,741	169,124	126,041
Support Services:				
Pupils	441,370	404,965	412,546	403,334
Instructional Staff	966,913	441,260	1,018,933	487,417
Board of Education	14,609	14,609	17,834	17,834
Administration	1,309,980	1,193,676	1,456,121	1,381,155
Fiscal	386,687	187,636	411,498	204,941
Operation and Maintenance of Plant	1,456,551	1,445,845	1,515,391	1,495,425
Pupil Transportation	953,413	953,413	980,027	980,027
Central	80,890	71,790	72,529	63,778
Operation of Non-Instructional Services				
Food Service Operations	741,542	110,137	746,011	144,567
Other	13,162	6,735	17,446	2,422
Extracurricular Activities	215,229	25,756	239,768	45,630
Interest and Fiscal Charges	1,042,041	1,042,041	1,062,554	1,062,554
Totals	<u>\$18,294,487</u>	<u>\$13,953,553</u>	<u>\$18,819,799</u>	<u>\$14,855,901</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2011, only 24 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 76 percent is provided through taxes and entitlements.

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 \$19,055,462, expenditures of \$17,983,833, and other financing sources and uses of \$38,039.

General Fund

The fund balance of the General Fund at June 30, 2011 is (\$87,853) which is an increase of \$655,265 from fiscal year 2010. The majority of the increase is primarily the result of the School District's increase in property taxes revenue in the amount of \$652,730 during fiscal year 2011 as compared to fiscal year 2010 due to the increase in property tax assessed values for commercial property abatement terminations. Expenditures also decreased due to personnel and program cuts which were made in order to fiscally manage the School District's projected future deficits.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Other Governmental Major Funds

Debt Service Fund

The fund balance of the Debt Service Fund at June 30, 2011 is \$1,693,393, an increase of \$354,965 from the prior year primarily due to an increase in tax collections as compared to fiscal year 2010 due to the increase in property tax assessed values.

Permanent Improvement Fund

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2011 is \$2,339,105, an increase of \$180,283 from the prior year due to payment in lieu of taxes revenue of \$127,409, expenditures in the amount of \$5,126, and other financing sources in the amount of \$58,000. The other financing sources were the result of a transfer of \$35,000 from the General Fund to the Permanent Improvement Capital Projects Fund for future Ohio School Facility Program expenses and proceeds from the sale of capital assets in the amount of \$23,000.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2011, the School District amended its original appropriations from \$13,968,000 to final appropriations of \$14,327,025. Final appropriations exceeded final expenditures by \$325,983.

The School District received \$59,998 more in revenues and other financing sources than what was expected during fiscal year 2011. Budget basis revenues and other financing sources were \$13,936,621 compared to final estimates of \$13,876,623.

The School District's ending General Fund budgetary balance was \$440,854.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$22,590,718 invested in land, land improvements, construction in progress, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

	<u>Government Activities</u>	
	<u>2011</u>	<u>2010</u>
Land and Land Improvements	\$1,486,809	\$1,578,894
Construction in Progress	14,858	0
Buildings and Improvements	20,196,281	20,847,334
Furniture and Equipment	425,777	666,117
Vehicles	466,993	442,085
Totals	<u><u>\$22,590,718</u></u>	<u><u>\$23,534,430</u></u>

See Note 9 for additional information regarding capital assets.

Debt

At June 30, 2011, the School District had \$20,743,683 in 2003 general obligation bonds outstanding (including premiums and discounts), with \$430,000 being 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, 2011 were \$1,621,794 with \$75,110 due in one year. See Note 16 for more detailed information of the School District's debt.

Economic Factors

The current state of the economy has forced the West Muskingum Local School District to monitor the five year forecast closely and to continue to look for ways to avoid deficit spending. The School District has been making budget cuts since 2005. The West Muskingum Board of Education continues to work to reduce program costs, collaborate with other schools to share services and to reduce its workforce, if possible. Due to the loss of federal stimulus funding in fiscal year 2012 and an effort to assist in reducing projected deficits, 18 full time equivalent positions were eliminated at the end of fiscal year 2011 as well as reductions in contracted services and programs. With the current economic downturn in the housing market and the budget cuts imposed on educational funding by the State, the School District anticipates no increase in revenues and possibly a decline in revenues is anticipated for fiscal years 2012 and 2013. As a result of zero increase or declining revenue sources, the West Muskingum Board of Education must look to additional cost containment initiatives to balance the budget.

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 Kimberly Moyer, Treasurer at West Muskingum Local School District, 4880 West Pike, Zanesville, Ohio 43701. You may also e-mail the treasurer at kmoyer@laca.org.

West Muskingum Local School District, Ohio

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,854,278
Cash and Cash Equivalents in Segregated Accounts	91
Accounts Receivable	3,563
External Party Receivable	256
Intergovernmental Receivable	567,643
Prepaid Items	41,159
Inventory Held for Resale	14,041
Accrued Interest Receivable	6,266
Materials and Supplies Inventory	37,695
Property Taxes Receivable	7,550,318
Payment in Lieu of Taxes Receivable	76,110
Investments	251,588
Deferred Charges	192,843
Nondepreciable Capital Assets	669,117
Depreciable Capital Assets, Net	<u>21,921,601</u>
<i>Total Assets</i>	<u>38,186,569</u>
Liabilities	
Accounts Payable	96,759
Accrued Wages and Benefits	1,242,161
Accrued Interest Payable	80,031
Intergovernmental Payable	419,149
Claims Payable	241,908
Deferred Revenue	6,756,875
Long-Term Liabilities:	
Due Within One Year	549,214
Due In More Than One Year	<u>22,516,895</u>
<i>Total Liabilities</i>	<u>31,902,992</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	783,857
Restricted for:	
Capital Projects	2,702,144
Debt Service	1,340,165
Other Purposes	696,394
Unrestricted	<u>761,017</u>
<i>Total Net Assets</i>	<u><u>\$6,283,577</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, 2011

	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions			Capital Grants and Contributions
Governmental Activities						
Instruction:						
Regular	\$7,790,498	\$1,103,605	\$240,408	\$2,009	(\$6,444,476)	
Special	2,640,501	113,934	1,104,305	0	(1,422,262)	
Intergovernmental	11,046	0	11,046	0	0	
Vocational	135,778	0	24,567	0	(111,211)	
Student Intervention Services	94,277	0	16,536	0	(77,741)	
Support Services:						
Pupils	441,370	0	36,405	0	(404,965)	
Instructional Staff	966,913	0	525,653	0	(441,260)	
Board of Education	14,609	0	0	0	(14,609)	
Administration	1,309,980	45,890	70,414	0	(1,193,676)	
Fiscal	386,687	0	199,051	0	(187,636)	
Operation and Maintenance of Plant	1,456,551	10,706	0	0	(1,445,845)	
Pupil Transportation	953,413	0	0	0	(953,413)	
Central	80,890	0	9,100	0	(71,790)	
Operation of Non-Instructional Services:						
Food Service Operations	741,542	272,381	359,024	0	(110,137)	
Other Non-Instructional Services	13,162	0	6,427	0	(6,735)	
Extracurricular Activities	215,229	189,473	0	0	(25,756)	
Interest and Fiscal Charges	1,042,041	0	0	0	(1,042,041)	
Totals	\$18,294,487	\$1,735,989	\$2,602,936	\$2,009	(13,953,553)	

General Revenues

Property Taxes Levied for:

General Purposes	5,761,093
Debt Service	1,549,899
Gain on Sale of Capital Asset	20,214
Payment in Lieu of Taxes	163,796
Grants and Entitlements not Restricted	7,311,711
Investment Earnings	48,249
Miscellaneous	23,757

Total General Revenues 14,878,719

Change in Net Assets 925,166

Net Assets Beginning of Year 5,358,411

Net Assets End of Year \$6,283,577

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2011

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$983,269	\$1,616,715	\$2,339,105	\$753,719	\$5,692,808
Cash and Cash Equivalents in Segregated Accounts	91	0	0	0	91
Accounts Receivable	3,434	0	0	129	3,563
Payment in Lieu of Taxes Receivable	0	1,841	74,269	0	76,110
Interfund Receivable	417	0	0	994	1,411
External Party Receivable	256	0	0	0	256
Intergovernmental Receivable	1,103	0	0	566,540	567,643
Accrued Interest Receivable	4,308	0	0	0	4,308
Prepaid Items	41,159	0	0	0	41,159
Inventory Held for Resale	0	0	0	14,041	14,041
Materials and Supplies Inventory	31,395	0	0	6,300	37,695
Property Taxes Receivable	5,968,416	1,581,902	0	0	7,550,318
Total Assets	\$7,033,848	\$3,200,458	\$2,413,374	\$1,341,723	\$13,989,403
Liabilities					
Accounts Payable	\$76,842	\$0	\$0	\$19,897	\$96,739
Accrued Wages and Benefits	1,009,733	0	0	232,428	1,242,161
Interfund Payable	994	0	0	417	1,411
Intergovernmental Payable	341,585	0	0	77,564	419,149
Deferred Revenue	5,692,547	1,507,065	74,269	331,438	7,605,319
Total Liabilities	7,121,701	1,507,065	74,269	661,744	9,364,779
Fund Balances					
Nonspendable	72,554	0	0	20,341	92,895
Restricted	0	1,693,393	0	657,233	2,350,626
Committed	33,715	0	0	3,821	37,536
Assigned	430,249	0	2,339,105	0	2,769,354
Unassigned	(624,371)	0	0	(1,416)	(625,787)
Total Fund Balances (Deficit)	(87,853)	1,693,393	2,339,105	679,979	4,624,624
Total Liabilities and Fund Balances	\$7,033,848	\$3,200,458	\$2,413,374	\$1,341,723	\$13,989,403

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, 2011*

Total Governmental Fund Balances		\$4,624,624
<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.		22,590,718
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:		
Property Taxes Receivable	436,327	
Payment in Lieu of Taxes Receivable	76,110	
Accrued Interest Receivable	4,308	
Intergovernmental Receivable	331,699	848,444
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.		1,173,088
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.		192,843
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Bonds Payable	(20,445,000)	
Bond Premium	(365,773)	
Bond Discount	67,090	
Accrued Interest Payable	(80,031)	
Capital Leases Payable	(1,621,794)	
Compensated Absences	(700,632)	(23,146,140)
Total Long-Term Liabilities		
Net Assets of Governmental Activities		\$6,283,577

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, 2011

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$5,799,111	\$1,545,583	\$0	\$0	\$7,344,694
Payment in Lieu of Taxes	0	1,860	127,409	0	129,269
Intergovernmental	6,936,042	199,051	0	2,626,228	9,761,321
Interest	37,432	0	0	2,600	40,032
Tuition and Fees	1,217,539	0	0	0	1,217,539
Extracurricular Activities	45,890	0	0	189,473	235,363
Rentals	10,706	0	0	0	10,706
Charges for Services	0	0	0	272,381	272,381
Contributions and Donations	20,000	0	0	400	20,400
Miscellaneous	21,237	0	0	2,520	23,757
Total Revenues	14,087,957	1,746,494	127,409	3,093,602	19,055,462
Expenditures					
Current:					
Instruction:					
Regular	7,136,627	0	0	198,095	7,334,722
Special	1,429,723	0	0	1,164,727	2,594,450
Vocational	120,604	0	0	0	120,604
Student Intervention Services	75,745	0	0	18,808	94,553
Support Services:					
Pupils	404,542	0	0	22,939	427,481
Instructional Staff	466,884	0	0	459,796	926,680
Board of Education	14,609	0	0	0	14,609
Administration	1,195,604	0	0	23,782	1,219,386
Fiscal	356,168	32,479	0	0	388,647
Operation and Maintenance of Plant	1,034,169	0	5,126	395,418	1,434,713
Pupil Transportation	985,880	0	0	0	985,880
Central	34,105	0	0	46,785	80,890
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	637,748	637,748
Other Non-Instructional Services	6,870	0	0	6,292	13,162
Extracurricular Activities	16	0	0	184,211	184,227
Intergovernmental	0	0	0	11,046	11,046
Capital Outlay	0	0	0	4,800	4,800
Debt Service:					
Principal Retirement	71,350	390,000	0	0	461,350
Interest and Fiscal Charges	79,835	969,050	0	0	1,048,885
Total Expenditures	13,412,731	1,391,529	5,126	3,174,447	17,983,833
Excess of Revenues Over (Under) Expenditures:	675,226	354,965	122,283	(80,845)	1,071,629
Other Financing Sources (Use)					
Proceeds from Sale of Capital Assets	15,039	0	23,000	0	38,039
Transfers In	0	0	35,000	0	35,000
Transfers Out	(35,000)	0	0	0	(35,000)
Total Other Financing Sources (Use)	(19,961)	0	58,000	0	38,039
Net Change in Fund Balances	655,265	354,965	180,283	(80,845)	1,109,668
Fund Balances (Deficit) Beginning of Year - Restated Note 3	(743,118)	1,338,428	2,158,822	760,824	3,514,956
Fund Balances (Deficit) End of Year	(\$87,853)	\$1,693,393	\$2,339,105	\$679,979	\$4,624,624

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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$1,109,668

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 depreciation exceeded capital outlay in the current year:

Capital Assets Additions	201,814	
Current Year Depreciation	<u>(1,127,701)</u>	(925,887)

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 loss on disposal of assets:

Proceeds from Sale of Capital Assets	(38,039)	
Gain on the Sale of Capital Assets	<u>20,214</u>	(17,825)

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

Property Taxes	(33,702)	
Payment in Lieu of Taxes	34,547	
Intergovernmental	133,489	
Interest	<u>1,696</u>	136,030

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:

Compensated Absences	<u>48,825</u>	48,825
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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:

Premium Amortization	18,599	
Discount Amortization	(3,412)	
Issuance Costs Amortization	(9,805)	
Accrued Interest Payable	<u>1,462</u>	6,844

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 461,350

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. 106,181

Change in Net Assets of Governmental Activities \$925,186

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,416,879	\$5,540,459	\$5,554,462	\$14,003
Intergovernmental	6,846,696	7,000,641	7,001,057	416
Interest	40,000	40,000	41,163	1,163
Tuition and Fees	1,188,564	1,220,401	1,215,282	(5,119)
Rent	11,300	11,300	10,706	(594)
Gifts and Donations	20,000	20,000	20,000	0
Miscellaneous	36,822	36,822	21,348	(15,474)
<i>Total Revenues</i>	13,560,261	13,869,623	13,864,018	(5,605)
Expenditures				
Current:				
Instruction:				
Regular	7,314,529	7,547,621	7,454,866	92,755
Special	1,471,693	1,509,616	1,429,282	80,334
Vocational	136,379	136,379	132,520	3,859
Student Intervention Services	111,354	111,354	71,301	40,053
Support Services:				
Pupils	430,145	430,145	405,708	24,437
Instructional Staff	479,637	479,637	469,287	10,350
Board of Education	18,558	18,558	16,306	2,252
Administration	1,226,819	1,258,432	1,188,083	70,349
Fiscal	382,352	382,352	385,574	(3,222)
Operation and Maintenance of Plant	1,163,167	1,193,139	1,158,881	34,258
Pupil Transportation	1,025,491	1,051,916	1,036,218	15,698
Central	43,391	43,391	34,090	9,301
Non-Instructional Services	6,870	6,870	6,870	0
Extracurricular Activities	3,139	3,139	16	3,123
Debt Service:				
Principal Retirement	44,000	44,000	44,000	0
Interest and Fiscal Charges	75,476	75,476	75,476	0
<i>Total Expenditures</i>	13,933,000	14,292,025	13,908,478	383,547
<i>Excess of Revenues Under Expenditures</i>	(372,739)	(422,402)	(44,460)	377,942
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	7,000	7,000	15,039	8,039
Transfers Out	(35,000)	(35,000)	(35,000)	0
Advances In	0	0	57,564	57,564
Advances Out	0	0	(57,564)	(57,564)
<i>Total Other Financing Sources (Uses)</i>	(28,000)	(28,000)	(19,961)	8,039
<i>Net Change in Fund Balance</i>	(400,739)	(450,402)	(64,421)	385,981
<i>Fund Balance Beginning of Year</i>	84,098	84,098	84,098	0
Prior Year Encumbrances Appropriated	421,177	421,177	421,177	0
<i>Fund Balance End of Year</i>	\$104,536	\$54,873	\$440,854	\$385,981

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2011

	<u>Self- Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,161,470
Investments	251,588
Accrued Interest Receivable	1,958
	<hr/>
<i>Total Assets</i>	1,415,016
	<hr/>
Current Liabilities	
Accounts Payable	20
Claims Payable	241,908
	<hr/>
<i>Total Liabilities</i>	241,928
	<hr/>
Net Assets	
Unrestricted	\$1,173,088
	<hr/> <hr/>

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, 2011

	Self-Insurance
Operating Revenues	
Charges for Services	\$1,784,417
Operating Expenses	
Purchased Services	422,302
Claims	1,263,901
<i>Total Operating Expenses</i>	1,686,203
<i>Operating Income</i>	98,214
Non-Operating Revenues	
Interest Income	7,967
<i>Change in Net Assets</i>	106,181
<i>Net Assets at Beginning of Year</i>	1,066,907
<i>Net Assets at End of Year</i>	\$1,173,088

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, 2011

	<u>Self- Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$1,784,417
Cash Payments to Suppliers for Services	(422,282)
Cash Payments for Claims	<u>(1,277,576)</u>
<i>Net Cash Provided by Operating Activities</i>	84,559
Cash Flows from Investing Activities	
Interest on Investments	<u>6,009</u>
<i>Net Increase in Cash and Cash Equivalents</i>	90,568
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,322,490</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,413,058</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$98,214
Changes in Liabilities	
Increase in Accounts Payable	20
Decrease in Claims Payable	<u>(13,675)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$84,559</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, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	\$63,683
Cash and Cash Equivalents in Segregated Accounts	<u>15,108</u>
<i>Total Assets</i>	<u><u>\$78,791</u></u>
 Liabilities	
External Party Payable	\$256
Due to Students	63,427
Intergovernmental Payable	<u>15,108</u>
<i>Total Liabilities</i>	<u><u>\$78,791</u></u>

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, 2011

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 staffed by 74 classified employees, 119 certificated full-time teaching personnel, and 10 administrative employees who provide services to 1,542 students and other community members. The School District currently operates four 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 five jointly governed organizations and one insurance purchasing pool. 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 Educational Regional Service System Region 12, and the Ohio SchoolComp Workers' Compensation Group Rating Program. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, and the Permanent Improvement Fund 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.

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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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. 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, 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, 2011, but which were levied to finance fiscal year 2012 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.

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 2011, investments were limited to federal agency securities and nonnegotiable certificates of deposit. Federal agency securities are reported at fair value based on quoted market prices. Nonnegotiable certificates of deposit are reported at cost.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 2011 amounted to \$37,432, which includes \$27,958 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, 2011, 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.

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 government or imposed by laws through constitutional provisions or enabling legislation. See Note 20 for additional information regarding set asides.

K. Compensated Absences

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

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

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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

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

Net assets restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure 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.

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

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 – Change in Accounting Principle and Restatement of Fund Balances

A. Change in Accounting Principle

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

B. Restatement of Fund Balances

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>
Fund Balance at		
June 30, 2010	(\$762,998)	\$780,704
Change in Fund Structure	<u>19,880</u>	<u>(19,880)</u>
Adjusted Fund Balance at		
June 30, 2010	<u><u>(\$743,118)</u></u>	<u><u>\$760,824</u></u>

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Fund Balances	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$41,159	\$0	\$0	\$0	\$41,159
Inventory Held for Resale	0	0	0	14,041	14,041
Materials and Supplies					
Inventory	31,395	0	0	6,300	37,695
<i>Total Nonspendable</i>	<u>72,554</u>	<u>0</u>	<u>0</u>	<u>20,341</u>	<u>92,895</u>
<u>Restricted for:</u>					
Food Service Operations	0	0	0	245,759	245,759
Athletics and Music	0	0	0	14,101	14,101
State Grant Expenditures	0	0	0	98,455	98,455
Local Grant Expenditures	0	0	0	10,148	10,148
Debt Service Payments	0	1,693,393	0	0	1,693,393
Capital Improvements	0	0	0	288,770	288,770
<i>Total Restricted</i>	<u>0</u>	<u>1,693,393</u>	<u>0</u>	<u>657,233</u>	<u>2,350,626</u>
<u>Committed to:</u>					
Scholarships	0	0	0	3,821	3,821
Other Purposes	33,715	0	0	0	33,715
<i>Total Restricted</i>	<u>33,715</u>	<u>0</u>	<u>0</u>	<u>3,821</u>	<u>37,536</u>
<u>Assigned to:</u>					
Capital Improvements	0	0	2,339,105	0	2,339,105
Other Purposes	430,249	0	0	0	430,249
<i>Total Assigned</i>	<u>430,249</u>	<u>0</u>	<u>2,339,105</u>	<u>0</u>	<u>2,769,354</u>
Unassigned:	(624,371)	0	0	(1,416)	(625,787)
<i>Total Fund Balances</i>	<u><u>(\$87,853)</u></u>	<u><u>\$1,693,393</u></u>	<u><u>\$2,339,105</u></u>	<u><u>\$679,979</u></u>	<u><u>\$4,624,624</u></u>

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund 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).

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Unrecorded cash, prepaid items, and fair value adjustments for investments are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
4. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Budgetary revenues and expenditures of the public school support fund and the school store fund are reclassified to the general fund for GAAP Reporting.

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	\$655,265
Net Adjustment for Revenue Accruals	(179,777)
Net Adjustment for Expenditure Accruals	(23,132)
Beginning of Fiscal Year:	
Unrecorded Cash	38
Prepaid Items	42,523
Fair Value Adjustment for Investments	2,231
End of Fiscal Year:	
Segregated Cash Accounts	(91)
Prepaid Items	(41,159)
Fair Value Adjustment for Investments	(450)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(3,628)
Advances In	57,564
Advances Out	(57,564)
Adjustment for Encumbrances	(516,241)
Budget Basis	<u><u>(\$64,421)</u></u>

Note 6 - Deposits and Investments

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

Active deposits are public 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 division (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.

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, \$5,456,019 of the School District's bank balance of \$7,111,113 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Investments As of June 30, 2011, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Medium Term Notes	\$251,588	4/28/2016
Federal Home Loan Mortgage Corporation Notes	100,300	4/11/2014
Total	<u>\$351,888</u>	

Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years except for commercial paper and bankers' acceptances which will be limited to 180 days. The Treasurer cannot make investments which she does not reasonably believe can be held until the maturity date.

Credit Risk

The Federal Home Loan Mortgage Corporation Bond and Notes carried a rating by Moody's of Aaa. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2011:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Medium Term Notes	71.50
Federal Home Loan Mortgage Corporation Notes	28.50

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Muskingum and Licking Counties. 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The 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, 2011, was \$357,116. \$280,438 was available to the General Fund and \$76,678 was available to the Debt Service Fund. The amount available as an advance at June 30, 2010, was \$45,692. \$35,789 was available to the General Fund and \$9,903 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second - Half Collections		2011 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$290,885,490	96.57%	\$294,597,710	96.71%
Public Utility Personal	9,910,850	3.29%	9,804,930	3.22%
General Business Personal	422,360	0.14%	222,700	0.07%
Total	\$301,218,700	100.00%	\$304,625,340	100.00%
Tax rate per \$1,000 of assessed valuation	\$43.45		\$43.39	

Note 8 - Receivables

Receivables at June 30, 2011, 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.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Education Jobs Fund Grant	\$140,072
Title I Grant	120,682
Title VI-B Special Education Grant	89,640
Race to the Top Grant	82,342
Title II-A Grant	67,286
Ohio Teacher Incentive Grant	35,532
Title VI-B ARRA Grant	13,507
Title VI-B Rural and Low Income Grant	7,930
Public Preschool Grant	6,961
Title I ARRA Grant	2,216
Medicaid Reimbursement	1,008
State and Federal Breakfast Reimbursement	372
US Treasury - Class Action Lawsuit Settlement	95
Total	\$567,643

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 is distributed to the School District. These payments are being used 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.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Capital Assets				
Land	\$238,420	\$0	\$0	\$238,420
Land Improvements	415,839	0	0	415,839
Construction in Progress	0	14,858	0	14,858
Total Non-Depreciable Capital Assets	<u>654,259</u>	<u>14,858</u>	<u>0</u>	<u>669,117</u>
Depreciable Capital Assets				
Land Improvements	1,553,924	0	0	1,553,924
Building and Improvements	27,138,313	0	0	27,138,313
Furniture and Equipment	2,508,558	37,496	(23,000)	2,523,054
Vehicles	1,533,890	149,460	(333,587)	1,349,763
Total at Historical Cost	<u>32,734,685</u>	<u>186,956</u>	<u>(356,587)</u>	<u>32,565,054</u>
Less Accumulated Depreciation				
Land Improvements	(629,289)	(92,085)	0	(721,374)
Buildings and Improvements	(6,290,979)	(651,053)	0	(6,942,032)
Furniture and Equipment	(1,842,441)	(260,011)	5,175	(2,097,277)
Vehicles	(1,091,805)	(124,552)	333,587	(882,770)
Total Accumulated Depreciation	<u>(9,854,514)</u>	<u>(1,127,701) *</u>	<u>338,762</u>	<u>(10,643,453)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>22,880,171</u>	<u>(940,745)</u>	<u>(17,825)</u>	<u>21,921,601</u>
Governmental Activities Capital Assets, Net	<u>\$23,534,430</u>	<u>(\$925,887)</u>	<u>(\$17,825)</u>	<u>\$22,590,718</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$515,887
Special	83,558
Vocational	31,773
Support Services:	
Pupils	14,213
Instructional Staff	65,058
Administration	89,291
Operation of Maintenance and Plant	69,437
Pupil Transportation	122,006
Extracurricular	31,002
Food Service Operations	<u>105,476</u>
Total Depreciation Expense	<u><u>\$1,127,701</u></u>

Note 10 – Interfund Transactions

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	<u>\$417</u>	<u>\$994</u>
Other Nonmajor Governmental Funds:		
Food Service Special Revenue	994	0
Athletic & Music Special Revenue	<u>0</u>	<u>417</u>
Total Other Nonmajor Governmental Funds	<u>994</u>	<u>417</u>
Total All Funds	<u><u>\$1,411</u></u>	<u><u>\$1,411</u></u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

During fiscal year 2011, the General Fund transferred \$35,000 to the Permanent Improvement Capital Projects Fund for future Ohio School Facilities Project expenditures.

Note 11 - 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. By contracting with Trident/Argonaut Insurance Company for liability and property insurance, the School District has addressed these various types of risk.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The types and amounts of coverage are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$44,674,200
Boiler and Machinery (\$1,000 deductible)	44,674,200
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 deductible)	1,000,000
Automobile Liability (\$500 deductible)	1,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$500 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
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	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 2011.

B. Worker's Compensation

For fiscal year 2011, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 18) through the Ohio Association of School Board Officials. The intent of the Program 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 Program. 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 Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the Program.

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 \$241,908 reported in the internal service fund at June 30, 2011, 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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 2010 and 2011 were:

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at <u>End of Year</u>
2010	\$154,000	\$1,640,748	\$1,539,165	\$255,583
2011	255,583	1,263,901	1,277,576	241,908

Note 12 - Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees 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 and classified employees receive payment for one-fourth of their total sick leave accumulation up to 55 days.

B. *Insurance*

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Assurant Employee Benefits.

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 School 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 School District, receive an additional five days of severance pay calculated at the employee's rate of pay at the time of retirement.

At June 30, 2011, no retirement incentives were accrued as a liability.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 13 - 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$203,772, \$257,467 and \$152,990, respectively. For fiscal year 2011, 37.64 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$803,815 and \$13,766 for the fiscal year ended June 30, 2011, \$790,752 and \$20,867 for the fiscal year ended June 30, 2010, and \$837,940 for the DB Plan for the fiscal year ended June 30, 2009. The Combined Plan information for the fiscal year ended June 30, 2009, was unavailable. For fiscal year 2011, 85.43 percent has been contributed for the DB plan and 85.43 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$13,938 made by the School District and \$9,956 made by the plan members. In addition, member contributions of \$9,833 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

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, 2011, one member of the Board of Education elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For fiscal year

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

2011, 1.43 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 fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$26,232 in surcharge.

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, 2011, 2010, and 2009, were \$61,114, \$5,178, and \$96,126, respectively. For fiscal year 2011, 33.26 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$13,747, \$13,549, and \$12,623, respectively. For fiscal year 2011, 40.51 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$61,832, \$63,435, and \$64,887 respectively. For fiscal year 2011, 85.43 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 15 - Capitalized Leases

In prior fiscal years, the School District has 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 \$111,970. 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, 2011, was \$235,990. Principal payments in fiscal year 2011 totaled \$71,350 in the governmental funds.

The following is a schedule of capital assets acquired through capital leases at June 30, 2011 for governmental funds:

Capitalized Leased Assets	Present Value of Future Minimum Lease Payments	Less Accumulated Depreciation 6/30/2011	Net of Accumulated Depreciation
<u>Governmental Activities:</u>			
Building	\$1,800,000	\$180,000	\$1,620,000
Equipment	111,970	55,990	55,980
Total Governmental Activities	<u>\$1,911,970</u>	<u>\$235,990</u>	<u>\$1,675,980</u>

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	OASBO Expanded Asset Pooled Financing Program	Equipment	Total
2012	\$117,063	\$31,710	\$148,773
2013	116,977	26,426	143,403
2014	117,801	0	117,801
2015	117,488	0	117,488
2016	117,084	0	117,084
2017-2021	586,559	0	586,559
2022-2026	586,148	0	586,148
2027-2031	586,282	0	586,282
2032	117,079	0	117,079
Total Minimum Lease Payments	<u>2,462,481</u>	<u>58,136</u>	<u>2,520,617</u>
Less: Amount Representing Interest	<u>(895,481)</u>	<u>(3,342)</u>	<u>(898,823)</u>
Present Value of Minimum Lease Payments	<u>\$1,567,000</u>	<u>\$54,794</u>	<u>\$1,621,794</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 16 - Long Term Obligations

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

	Principal Outstanding 6/30/2010	Additions	Reductions	Principal Outstanding 6/30/2011	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
School Facilities Construction and Improvements					
Serial Bonds - \$4,735,000 2.00%-3.60%	\$1,970,000	\$0	\$0	\$1,970,000	\$430,000
Term Bonds - \$19,215,000 4.00%-5.00%	18,865,000	0	390,000	18,475,000	0
Serial/Term Bonds Bond Premium	384,372	0	18,599	365,773	0
Serial/Term Bond Discount	(70,502)	0	(3,412)	(67,090)	0
Total General Obligation Bonds	21,148,870	0	405,187	20,743,683	430,000
Capital Leases	1,693,144	0	71,350	1,621,794	75,110
Compensated Absences Payable	749,457	23,192	72,017	700,632	44,104
Total Governmental Activities Long-Term Liabilities	\$23,591,471	\$23,192	\$548,554	\$23,066,109	\$549,214

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 2011, 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 that matured on December 1, 2010 were subject to mandatory sinking fund redemption at a redemption price of 100 percent 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:

Year	Principal Amount Redeemed
2009	\$350,000

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The term bonds maturing on December 1, 2017 are subject to mandatory sinking fund redemption at a redemption price of 100 percent 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 percent 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.

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent 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 percent 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:

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year	Principal Amount to be Redeemed
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, 2011, are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$430,000	\$952,843	\$1,382,843
2013	470,000	936,799	1,406,799
2014	515,000	919,268	1,434,268
2015	555,000	900,265	1,455,265
2016	605,000	878,175	1,483,175
2017-2021	3,870,000	3,932,200	7,802,200
2022-2026	5,750,000	2,759,450	8,509,450
2027-2031	8,250,000	1,086,688	9,336,688
Totals	<u>\$20,445,000</u>	<u>\$12,365,688</u>	<u>\$32,810,688</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, 2011, was \$8,601,740, with an unvoted debt margin of \$303,926.

Note 17- Jointly Governed Organizations

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and the School District does not have an equity interest in the Association. The School District's payments to LACA for compute services for fiscal year 2011 were \$85,807. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 School District's continued participation and no equity interest exists. During fiscal year 2011, 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 over 195 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 58 counties in Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. 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 Educational Service Center in Franklin County (18 Educational Service Centers) 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. School District payments to MEC for fiscal year 2011 were \$660 for gas heating, insurance and membership. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-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 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2011, the School District made a payment of \$325 to the Coalition for a membership fee. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

E. Educational Regional Service System Region 12

The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by a participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

Note 18 - Insurance Purchasing Pools

Ohio SchoolComp Workers' Compensation Group Rating Program

The School District participates in the Ohio Association of School Business Officials' Ohio SchoolComp Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program'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 Program to cover the costs of administering the program.

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

As of June 30, 2011, the School District is a party in one lawsuit, but the School District has determined that any potential liability will not have a material effect on the financial statements.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 20 - 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 school district's General Fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The 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 and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2010	(\$88,158)	\$0
Current Year Set-aside Requirement	233,078	233,078
Current Year Offsets	0	(1,640,936)
Qualifying Disbursements	<u>(192,169)</u>	<u>(82,249)</u>
Total	<u>(\$47,249)</u>	<u>(\$1,490,107)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$47,249)</u>	<u>\$0</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. Effective July 1, 2011, House Bill 30, "The Unfunded Mandates Relief Act", eliminates the requirement that school districts annually set-aside an amount per pupil into a textbook and instructional materials fund.

Note 21 – Accountability

The following funds had deficit fund balances at June 30, 2011.

	<u>Deficit Fund Balance</u>
<u>Major Fund</u> General Fund	\$87,853
<u>Nonmajor Fund</u> Title VI-B	1,416

The deficit fund balance is the result of the recognition of payables in accordance with generally accepted accounting principles.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 31,108	\$ 31,108
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	76,846	76,846
National School Lunch Program	2010/2011	10.555	276,004	276,004
Cash Assistance Subtotal			<u>352,850</u>	<u>352,850</u>
Total Child Nutrition Cluster			<u>383,958</u>	<u>383,958</u>
Total U.S. Department of Agriculture			383,958	383,958
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	84,856	110,308
	2011		510,130	493,358
Total Title I Grants to Local Educational Agencies			<u>594,986</u>	<u>603,666</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	5,290	24,190
	2011		215,542	197,483
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>220,832</u>	<u>221,673</u>
Total Title I, Part A Cluster			815,818	825,339
Special Education Cluster:				
Special Education Grants to States	2010	84.027	35,562	58,387
	2011		293,508	285,419
Total Special Education Grants to States			<u>329,070</u>	<u>343,806</u>
ARRA - Special Education Grants to States, Recovery Act	2010	84.391	782	16,585
	2011		245,096	219,634
Total ARRA - Special Education Grants to States, Recovery Act			<u>245,878</u>	<u>236,219</u>
Total Special Education Cluster			574,948	580,025
ARRA - Race to the Top, Recovery Act	2011	84.395	39,746	23,694
Education Technology State Grants	2010	84.318	(458)	
	2011		2,467	2,467
Total Education Technology State Grants			<u>2,009</u>	<u>2,467</u>
Rural Education	2010	84.358	(4,551)	20,010
	2011		41,639	38,675
Total Rural Education			<u>37,088</u>	<u>58,685</u>
Improving Teacher Quality State Grants	2010	84.367	(2,763)	13,003
	2011		108,313	104,159
Total Improving Teacher Quality State Grants			<u>105,550</u>	<u>117,162</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	2011	84.394	455,066	455,066
ARRA - Teacher Incentive Fund, Recovery Act	2011	84.385	49,783	40,678
<i>Passed Through Ohio Partners in Character Education and Passed Through Ohio Department of Education:</i>				
Fund for the Improvement of Education	2010	84.215S	500	11,660
	2011			3,735
Total Fund for the Improvement of Education			<u>500</u>	<u>15,395</u>
Total U.S. Department of Education			<u>2,080,508</u>	<u>2,118,511</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,464,466</u>	<u>\$ 2,502,469</u>

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

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the School District (the School District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Education Technology State Grants	84.318	\$ 458
Rural Education	84.358	4,551
Improving Teacher Quality State Grant	84.367	2,763



Dave Yost • 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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 9, 2012, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 54. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

January 9, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 9, 2012

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster, CFDA Nos. 84.010 and 84.389 Special Education Cluster, CFDA Nos. 84.027 and 84.391 ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act, CFDA No. 83.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the West Muskingum Local School District, Muskingum County, Ohio (the School District), has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 9, 2012

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Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110
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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
JANUARY 24, 2012