



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Members of the Board:

We have audited the accompanying general purpose financial statements of the West Muskingum Local School District, Muskingum County, Ohio, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the West Muskingum School District, Muskingum County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 2000, 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 grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

January 26, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,620,238	\$336,383	\$1,817	\$305,774
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	0	0
Receivables:				
Accounts	19,292	0	0	0
Intergovernmental	891	9,492	0	0
Accrued Interest	10,260	0	0	0
Interfund Receivable	27,000	0	0	0
Due From Other Funds	0	0	0	0
Property and Other Local Taxes	4,390,388	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	5,367	0	0	0
Prepaid Items	3,814	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	219,644	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$6,296,894	\$345,875	\$1,817	\$305,774
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$33,463	\$8,542	\$0	\$0
Accrued Wages	809,307	50,941	0	2,283
Compensated Absences	45,881	0	0	0
Interfund Payable	0	0	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	171,281	9,388	0	0
Deferred Revenue	2,854,903	0	0	0
Due to Students	0	0	0	0
Accrued Interest Payable	3,720	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	252,000	0	0	0
Total Liabilities	4,170,555	68,871	0	2,283
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings, Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	175,624	49,747	0	3,138
Reserved for Inventory	5,367	0	0	0
Reserved for Property Taxes	1,534,959	0	0	0
Reserved for Budget Stabilization	118,027	0	0	0
Reserved for Bus Purchases	101,617	0	0	0
Unreserved, Undesignated	190,745	227,257	1,817	300,353
Total Fund Equity and Other Credits	2,126,339	277,004	1,817	303,491
Total Liabilities, Fund Equity and Other Credits	\$6,296,894	\$345,875	\$1,817	\$305,774

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>			<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>		
\$100,272	\$0	\$56,714	\$0	\$0		\$2,421,198
0	556,461	0	0	0		556,461
1,090	0	0	0	0		20,382
17,045	0	0	0	0		27,428
0	0	0	0	0		10,260
0	0	0	0	0		27,000
0	0	0	0	0		0
0	0	0	0	0		4,390,388
22,993	0	0	0	0		22,993
1,250	0	0	0	0		6,617
230	0	0	0	0		4,044
0	0	0	0	0		219,644
89,301	0	0	8,151,957	0		8,241,258
0	0	0	0	1,817		1,817
0	0	0	0	1,193,409		1,193,409
<u>\$232,181</u>	<u>\$556,461</u>	<u>\$56,714</u>	<u>\$8,151,957</u>	<u>\$1,195,226</u>		<u>\$17,142,899</u>
\$321	\$0	\$0	\$0	\$0		\$42,326
29,152	0	0	0	0		891,683
8,127	0	0	0	767,166		821,174
27,000	0	0	0	0		27,000
0	0	0	0	0		0
19,124	0	0	0	68,379		268,172
19,847	0	0	0	0		2,874,750
0	0	55,455	0	0		55,455
0	0	0	0	0		3,720
0	252,892	0	0	0		252,892
0	0	0	0	359,681		359,681
0	0	0	0	0		252,000
<u>103,571</u>	<u>252,892</u>	<u>55,455</u>	<u>0</u>	<u>1,195,226</u>		<u>5,848,853</u>
0	0	0	8,151,957	0		8,151,957
2,822	0	0	0	0		2,822
125,788	303,569	0	0	0		429,357
0	0	0	0	0		228,509
0	0	0	0	0		5,367
0	0	0	0	0		1,534,959
0	0	0	0	0		118,027
0	0	0	0	0		101,617
0	0	1,259	0	0		721,431
<u>128,610</u>	<u>303,569</u>	<u>1,259</u>	<u>8,151,957</u>	<u>0</u>		<u>11,294,046</u>
<u>\$232,181</u>	<u>\$556,461</u>	<u>\$56,714</u>	<u>\$8,151,957</u>	<u>\$1,195,226</u>		<u>\$17,142,899</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental</u>		<u>Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
Intergovernmental	\$4,472,034	\$661,175	\$0	\$171,187
Interest	124,260	0	0	0
Tuition and Fees	46,459	0	0	0
Rent	2,620	0	0	0
Extracurricular Activities	0	124,216	0	0
Gifts and Donations	50	3,662	0	0
Property & Other Local taxes	4,447,519	0	0	0
Miscellaneous	85,749	3,495	0	0
Total Revenues	9,178,691	792,548	0	171,187
Expenditures:				
Current:				
Instruction:				
Regular	4,273,969	117,618	0	132,954
Special	606,873	194,519	0	0
Vocational	248,719	0	0	0
Support Services:				
Pupils	152,845	3,195	0	0
Instructional Staff	427,053	252,097	0	0
Board of Education	13,843	0	0	0
Administration	849,077	65,188	0	0
Fiscal	201,955	0	0	0
Operation and Maintenance of Plant	852,207	24,542	0	20,439
Pupil Transportation	562,066	9,840	0	0
Central	20,751	22,503	0	0
Operation of Non-Instructional Services	0	5,963	0	0
Extracurricular Activities	112,341	76,269	0	0
Debt Service:				
Principal Retirement	40,003	0	0	0
Interest and Fiscal Charges	37,274	0	0	0
Total Expenditures	8,398,976	771,734	0	153,393
Excess of Revenues Over (Under) Expenditures	779,715	20,814	0	17,794
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	23,677
Sale of Fixed Assets	1,622	0	0	0
Operating Transfers Out	(25,614)	0	0	0
Total Other Financing Sources (Uses)	(23,992)	0	0	23,677
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	755,723	20,814	0	41,471
Fund Balances at Beginning of Year - Restated (Note 3)	1,370,616	256,190	1,817	262,020
Fund Balances at End of Year	\$2,126,339	\$277,004	\$1,817	\$303,491

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$5,304,396
94	124,354
0	46,459
0	2,620
0	124,216
0	3,712
0	4,447,519
0	89,244
94	10,142,520
1,500	4,526,041
0	801,392
0	248,719
0	156,040
0	679,150
0	13,843
0	914,265
0	201,955
0	897,188
0	571,906
0	43,254
0	5,963
0	188,610
0	40,003
0	37,274
1,500	9,325,603
(1,406)	816,917
0	23,677
0	1,622
0	(25,614)
0	(315)
(1,406)	816,602
2,665	1,893,308
\$1,259	\$2,709,910

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGE (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$4,076,000	\$4,247,150	\$171,150
Intergovernmental	3,828,656	4,478,205	649,549
Interest	110,000	127,187	17,187
Tuition and Fees	50,000	44,674	(5,326)
Rent	0	1,420	1,420
Extracurricular Activities	0	0	0
Gifts and Donations	0	50	50
Miscellaneous	1,000	76,548	75,548
Total Revenues	8,065,656	8,975,234	909,578
Expenditures:			
Instruction:			
Regular	4,274,286	4,247,689	26,597
Special	644,854	625,445	19,409
Vocational	250,799	245,735	5,064
Support Services:			
Pupils	160,432	153,893	6,539
Instructional Staff	459,414	446,812	12,602
Board of Education	36,615	14,204	22,411
Administration	868,233	857,867	10,366
Fiscal	218,896	211,491	7,405
Operation and Maintenance of Plant	938,289	891,430	46,859
Pupil Transportation	664,316	580,583	83,733
Central	24,800	21,026	3,774
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	117,211	111,797	5,414
Capital Outlay	5,000	0	5,000
Debt Service:			
Principal Retirement	40,003	40,003	0
Interest and Fiscal Charges	15,618	15,618	0
Total Expenditures	8,718,766	8,463,593	255,173
Excess of Revenues Over (Under) Expenditures	(653,110)	511,641	1,164,751
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	5,000	1,622	(3,378)
Refund of Prior Year Expenditures	5,000	9,201	4,201
Advances In	12,000	2,000	(10,000)
Advances Out	0	0	0
Operating Transfers Out	(125,000)	(25,614)	99,386
Total Other Financing Sources (Uses)	(103,000)	(12,791)	90,209
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(756,110)	498,850	1,254,960
Fund Balances at Beginning of Year	965,717	965,717	0
Prior Year Encumbrances Appropriated	166,226	166,226	0
Fund Balances (Deficit) at End of Year	\$375,833	\$1,630,793	\$1,254,960

See accompanying notes to the general purpose financial statements

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$0	\$0	\$0	\$105,000	\$105,000	0
803,103	688,696	(114,407)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
154,700	124,216	(30,484)	0	0	0
1,907	3,663	1,756	0	0	0
4,000	3,495	(505)	0	0	0
<u>963,710</u>	<u>820,070</u>	<u>(143,640)</u>	<u>105,000</u>	<u>105,000</u>	<u>0</u>
196,601	125,177	71,424	0	0	0
317,223	175,989	141,234	0	0	0
0	0	0	0	0	0
0	3,195	(3,195)	0	0	0
394,561	268,613	125,948	0	0	0
0	0	0	0	0	0
117,958	71,692	46,266	0	0	0
0	0	0	0	0	0
38,000	37,803	197	0	0	0
10,000	9,840	160	0	0	0
22,503	22,503	0	0	0	0
5,092	10,781	(5,689)	0	0	0
92,407	84,839	7,568	0	0	0
0	0	0	0	0	0
0	0	0	84,000	84,000	0
0	0	0	21,000	21,000	0
<u>1,194,345</u>	<u>810,432</u>	<u>383,913</u>	<u>105,000</u>	<u>105,000</u>	<u>0</u>
<u>(230,635)</u>	<u>9,638</u>	<u>240,273</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(230,635)	9,638	240,273	0	0	0
235,831	235,831	0	1,817	1,817	0
32,628	32,628	0	0	0	0
<u>\$37,824</u>	<u>\$278,097</u>	<u>\$240,273</u>	<u>\$1,817</u>	<u>\$1,817</u>	<u>\$0</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
AL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$0	\$0	\$0
Intergovernmental	171,187	171,187	0
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	171,187	171,187	0
Expenditures:			
Instruction:			
Regular	270,086	132,963	137,123
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	170,540	23,577	146,963
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	440,626	156,540	284,086
Excess of Revenues Over (Under) Expenditures	(269,439)	14,647	284,086
Other Financing Sources (Uses):			
Operating Transfers In	30,000	23,677	(6,323)
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	30,000	23,677	(6,323)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(239,439)	38,324	277,763
Fund Balances at Beginning of Year	264,312	264,312	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances (Deficit) at End of Year	\$24,873	\$302,636	\$277,763

<u>Expendable Trust Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$0	\$0	\$0	\$4,181,000	\$4,352,150	\$171,150
0	0	0	4,802,946	5,338,088	535,142
0	94	94	110,000	127,281	17,281
0	0	0	50,000	44,674	(5,326)
0	0	0	0	1,420	1,420
0	0	0	154,700	124,216	(30,484)
2,000	0	(2,000)	3,907	3,713	(194)
0	0	0	5,000	80,043	75,043
<u>2,000</u>	<u>94</u>	<u>(1,906)</u>	<u>9,307,553</u>	<u>10,071,585</u>	<u>764,032</u>
2,000	1,500	500	4,742,973	4,507,329	235,644
0	0	0	962,077	801,434	160,643
0	0	0	250,799	245,735	5,064
0	0	0	160,432	157,088	3,344
0	0	0	853,975	715,425	138,550
0	0	0	36,615	14,204	22,411
0	0	0	986,191	929,559	56,632
0	0	0	218,896	211,491	7,405
0	0	0	1,146,829	952,810	194,019
0	0	0	674,316	590,423	83,893
0	0	0	47,303	43,529	3,774
0	0	0	5,092	10,781	(5,689)
0	0	0	209,618	196,636	12,982
0	0	0	5,000	0	5,000
0	0	0	124,003	124,003	0
0	0	0	36,618	36,618	0
<u>2,000</u>	<u>1,500</u>	<u>500</u>	<u>10,460,737</u>	<u>9,537,065</u>	<u>923,672</u>
<u>0</u>	<u>(1,406)</u>	<u>(1,406)</u>	<u>(1,153,184)</u>	<u>534,520</u>	<u>1,687,704</u>
0	0	0	30,000	23,677	(6,323)
0	0	0	5,000	1,622	(3,378)
0	0	0	5,000	9,201	4,201
0	0	0	12,000	2,000	(10,000)
0	0	0	0	0	0
0	0	0	(125,000)	(25,614)	99,386
<u>0</u>	<u>0</u>	<u>0</u>	<u>(73,000)</u>	<u>10,886</u>	<u>83,886</u>
0	(1,406)	(1,406)	(1,226,184)	545,406	1,771,590
2,664	2,664	0	1,470,341	1,470,341	0
0	0	0	198,854	198,854	0
<u>\$2,664</u>	<u>\$1,258</u>	<u>(\$1,406)</u>	<u>\$443,011</u>	<u>\$2,214,601</u>	<u>\$1,771,590</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating Revenues:			
Sales	\$335,141	\$0	\$335,141
Charges for Services	0	727,882	727,882
Other Operating Revenues	6	586	592
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	335,147	728,468	1,063,615
Operating Expenses:			
Salaries	145,277	0	145,277
Fringe Benefits	74,725	0	74,725
Purchased Services	6,068	136,605	142,673
Materials and Supplies	16,095	0	16,095
Cost of Sales	224,703	0	224,703
Depreciation	9,250	0	9,250
Claims	0	669,174	669,174
Other Operating Expenses	125	0	125
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	476,243	805,779	1,282,022
Operating Income (Loss)	<hr/>	<hr/>	<hr/>
	(141,096)	(77,311)	(218,407)
Non-Operating Revenues:			
Federal Donated Commodities	23,840	0	23,840
Interest	1,042	0	1,042
Federal and State Subsidies	102,733	0	102,733
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	127,615	0	127,615
Income (Loss) Before Operating Transfers	(13,481)	(77,311)	(90,792)
Operating Transfers In	1,937	0	1,937
Net Income (Loss)	<hr/>	<hr/>	<hr/>
	(11,544)	(77,311)	(88,855)
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	<hr/>	<hr/>	<hr/>
	137,332	380,880	518,212
Retained Earnings/Fund Balance (Deficit) at End of Year	125,788	303,569	429,357
Contributed Capital at Beginning and End of Year	<hr/>	<hr/>	<hr/>
	2,822	0	2,822
Contributed Capital at End of Year	<hr/>	<hr/>	<hr/>
	2,822	0	2,822
Total Fund Equity at End of Year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$128,610	\$303,569	\$432,179

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$336,351	\$0	\$336,351
Cash Received from Quasi-External Transactions with Other Funds	0	727,882	727,882
Cash Received from Other Operating Sources	0	586	586
Cash Payments to Suppliers for Goods and Services	(225,016)	(136,605)	(361,621)
Cash Payments to Employees for Services	(142,440)	0	(142,440)
Cash Payments for Employee Benefits	(67,307)	0	(67,307)
Cash Payments for Claims	0	(669,752)	(669,752)
Cash Payments for Other Operating Expenses	(355)	0	(355)
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	(98,767)	(77,889)	(176,656)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	99,429	0	99,429
Operating Transfers In	1,937	0	1,937
Advances Out	(2,000)	0	(2,000)
	<hr/>	<hr/>	<hr/>
Net Cash Provided by Noncapital Financing Activities	99,366	0	99,366
Cash Flows from Investing Activities:			
Interest on Investments	1,042	0	1,042
	<hr/>	<hr/>	<hr/>
Net Cash Provided by Investing Activities	1,042	0	1,042
	<hr/>	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	1,641	(77,889)	(76,248)
Cash and Cash Equivalents at Beginning of Year	98,631	634,350	732,981
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	\$100,272	\$556,461	\$656,733
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$141,096)	(\$77,311)	(\$218,407)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	9,250	0	9,250
Donated Commodities Used During Year	23,840	0	23,840
Changes in Assets and Liabilities:			
(Increase) Decrease in Assets:			
Increase in Accounts Receivable	(6)	0	(6)
Increase in Inventory Held for Resale	(2,590)	0	(2,590)
Decrease in Materials and Supplies Inventory	11	0	11
Increase in Prepaid Items	(230)	0	(230)
Decrease in Due From Other Funds	1,210	0	1,210
Increase (Decrease) in Liabilities:			
Increase in Compensated Absences Payable	618	0	618
Decrease in Claims Payable	0	(578)	(578)
Increase in Intergovernmental Payable	7,193	0	7,193
Increase in Deferred Revenue	1,681	0	1,681
Decrease in Accounts Payable	(1,092)	0	(1,092)
Increase in Accrued Wages and Benefits	2,444	0	2,444
	<hr/>	<hr/>	<hr/>
Total Adjustments	42,329	(578)	41,751
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	(\$98,767)	(\$77,889)	(\$176,656)

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$330,000	\$336,351	\$6,351
Charges for Services	0	0	0
Other Operating Revenues	0	0	0
Total Revenues	<u>330,000</u>	<u>336,351</u>	<u>6,351</u>
Expenses:			
Salaries	148,672	142,440	6,232
Fringe Benefits	69,500	67,307	2,193
Purchased Services	10,029	7,975	2,054
Materials and Supplies	242,295	226,329	15,966
Claims Expense	0	0	0
Other	600	355	245
Capital Outlay	0	0	0
Total Expenses	<u>471,096</u>	<u>444,406</u>	<u>26,690</u>
Excess of Revenues Over (Under) Expenses	(141,096)	(108,055)	33,041
Non-Operating Revenues and Expenses			
Interest	0	1,042	1,042
Federal and State Subsidies	100,000	99,429	(571)
Advances Out	(2,000)	(2,000)	0
Total Non-Operating Revenues and Expenses	<u>98,000</u>	<u>98,471</u>	<u>471</u>
Excess of Revenues Over (Under) Expenses and Other Non-Operating Revenues and Expenses	(43,096)	(9,584)	33,512
Operating Transfers-In	<u>0</u>	<u>1,937</u>	<u>1,937</u>
Excess of Revenues Over (Under) Expenses, Advances and Transfers	(43,096)	(7,647)	35,449
Fund Equity at Beginning of Year	73,508	73,508	0
Prior Year Encumbrances Appropriated	<u>25,124</u>	<u>25,124</u>	<u>0</u>
Fund Equity at End of Year	<u>\$55,536</u>	<u>\$90,985</u>	<u>\$35,449</u>

See accompanying notes to the general purpose financial statements

<u>Internal Service Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$0	\$0	\$0	\$330,000	\$336,351	\$6,351
740,000	727,882	(12,118)	740,000	727,882	(12,118)
0	586	586	0	586	586
<u>740,000</u>	<u>728,468</u>	<u>(11,532)</u>	<u>1,070,000</u>	<u>1,064,819</u>	<u>(5,181)</u>
0	0	0	148,672	142,440	6,232
0	0	0	69,500	67,307	2,193
137,700	136,605	1,095	147,729	144,580	3,149
0	0	0	242,295	226,329	15,966
672,300	669,752	2,548	672,300	669,752	2,548
0	0	0	600	355	245
0	0	0	0	0	0
<u>810,000</u>	<u>806,357</u>	<u>3,643</u>	<u>1,281,096</u>	<u>1,250,763</u>	<u>30,333</u>
(70,000)	(77,889)	(7,889)	(211,096)	(185,944)	25,152
0	0	0	0	1,042	1,042
0	0	0	100,000	99,429	(571)
0	0	0	(2,000)	(2,000)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>98,000</u>	<u>98,471</u>	<u>471</u>
(70,000)	(77,889)	(7,889)	(113,096)	(87,473)	25,623
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,937</u>	<u>1,937</u>
(70,000)	(77,889)	(7,889)	(113,096)	(85,536)	27,560
634,351	634,351	0	707,859	707,859	0
0	0	0	25,124	25,124	0
<u>\$564,351</u>	<u>\$556,462</u>	<u>(\$7,889)</u>	<u>\$619,887</u>	<u>\$647,447</u>	<u>\$27,560</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The West Muskingum Local School District (the "School District") was organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized and mandated by state and federal guidelines.

The West Muskingum Local School District was formed in 1960 and operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The Board controls the School District's five instructional facilities staffed by 67 non-certificated, 114 certificated teaching personnel, and 9 administrators, who provide services to approximately 1,852 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Muskingum Local 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

The School District utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units which are legally separate organizations which are fiscally dependent on the School District or for which the School District is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate governmental units meet the criteria for inclusion as a component unit.

West Muskingum Local School District provides more than instruction to its students. These additional services include student guidance, extra-curricular activities, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. The School District operations form the oversight unit and are included as part of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The following have been excluded:

Muskingum County Educational Service Center
East Central Ohio - Special Education Regional Resource Center (ECO-SERRC)
Boosters, Athletic, Band, and Twisters; Academic Fund; Parent Teacher Organizations and
Home and School Leagues

The School District is involved with the Mid-East Ohio Vocational School District and the Licking Area Computer Association which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

B. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

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. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPE:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal service funds account 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

FIDUCIARY FUND TYPE:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Expendable Trust Fund - This fund is accounted for in essentially the same manner as governmental funds.

ACCOUNT GROUPS:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and student fees.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function for the General Fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. Advances in and Advances out are not required to be budgeted since they represent temporary cash flow resources and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Muskingum County Budget Commission for rate determination.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY PROCESS (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures for the general fund and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY PROCESS (Continued)

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

E. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to certificates of deposits and interest bearing demand accounts.

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 1999 amounted to \$124,260.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. INVENTORY

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption.

The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and supplies.

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FIXED ASSETS AND DEPRECIATION

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost for land and buildings for which historical cost records were not available) and updated for additions and retirements during the year.

Donated fixed assets are recorded at their fair market values as of the date received.

The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

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 capitalized. Improvements to fund fixed assets are capitalized and depreciated over the useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten to twenty years. All depreciation is closed to retained earnings.

I. RESTRICTED ASSETS

Restricted assets in the general fund and permanent improvement capital project fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for budget stabilization. See Note 20 for the calculation of the year end restricted asset balance and the corresponding fund reserve.

J. INTERGOVERNMENTAL REVENUES

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. INTERGOVERNMENTAL REVENUES(Continued)

Non-Reimbursable Grants:

Special Revenue Funds

Title VI-B, Special Education
Chapter I/Title I, Educational Needs of Disadvantaged Children
Dwight D. Eisenhower - Mathematics & Science Education Grant
Data Communications Grant
Drug Free Schools Grant
Telecommunications Grant
Educational Management Information System Fund
Disadvantaged Impact Aid Grant Fund
Goals 2000
Textbooks and Instructional Materials
Transition Funding
Chapter II, Consolidation of Federal Programs for Elementary and Secondary Education Fund
Title VI, Innovative Education Program Strategies Fund
Professional Development Block Grant
Local Professional Development Block Grant
Network for Systematic Improvement
Venture Capital

Capital Project Funds

SchoolNet Plus

Reimbursable Grants:

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements accounted for approximately 52% percent of the governmental fund's operating revenue during the 1999 fiscal year.

K. SHORT-TERM INTERFUND ASSETS/LIABILITIES

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables."

L. COMPENSATED ABSENCES

GASB Statement 16, Accounting for Compensated Absences, specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. COMPENSATED ABSENCES (Continued)

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of service. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. The School District had contributed capital in the amount of \$2,822 at June 30, 1999.

N. LONG-TERM OBLIGATIONS

Long-term obligations are recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

O. INTERFUND TRANSACTIONS

During the course of normal operations, the School District makes numerous transactions between funds. The most significant include operating transfers, reimbursements, and quasi-external transactions.

1. Transfers of resources from one fund to another through which resources are expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as reductions in the expenditures/expenses in the reimbursed fund.
3. Quasi-external transactions are accounted for as revenues and expenditures/expenses.

P. FUND BALANCE RESERVES

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. FUND BALANCE RESERVES (Continued)

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

Q. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

R. ESTIMATES

The preparation of the 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. FUND DEFICITS

The Title VI-B Special Revenue Fund and the Uniform School Supply Enterprise Fund had deficit fund balance/retained earnings in the amounts of \$4,012 and \$639, respectively, at June 30, 1999. The deficit balances in the special revenue and enterprise funds are the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. LEGAL COMPLIANCE

There were no accounts that had material appropriations exceeding estimated resources contrary to Section 5705.39, Revised Code.

The Drug Free Schools Special Revenue Fund had expenditures plus encumbrances in excess of appropriations in the amount of \$5,005, contrary to Section 5705.41, Revised Code.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types					
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$755,723	\$20,814	\$0	\$41,471	(\$1,406)
Net Adjustment for Revenue Accruals	(194,255)	27,523	105,000	0	0
Net Adjustment for Expenditure Accruals	1,753,608	19,588	0	(10)	0
Debt Service:					
Principal	0	0	(84,000)	0	0
Inception of Capital Lease	0	0	(21,000)	0	0
Interest	21,656	0	0	0	0
Advances In	2,000	0	0	0	0
Advances Out	0	0	0	0	0
Adjustments for Encumbrances	(1,839,882)	(58,287)	0	(3,137)	0
Budget Basis	\$498,850	\$9,638	\$0	\$38,324	(\$1,406)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss / Excess of Revenues Under Expenses and Operating Transfers All Proprietary Fund Types and Similar Trust Funds		
	Enterprise	Internal Service
GAAP Basis	(\$11,544)	(\$77,311)
Net Adjustment for Revenue Accruals	(2,100)	0
Net Adjustment for Expenditure Accruals	8,034	(578)
Advances Out	(2,000)	0
Depreciation	9,250	0
Adjustment for Encumbrances	(9,287)	0
Budget Basis	(\$7,647)	(\$77,889)

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 pass book accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

- A. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

- B. 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that instruments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. During fiscal year 1999, the School District had no investments.

Deposits At year end, the carrying amount of the School District's deposits was \$3,197,303 and the bank balance was \$3,436,616, which includes \$215,177 for the payroll clearance account. Of the bank balance:

1. \$500,000 was covered by federal depository insurance;
2. \$465,235 was covered by securities held by the financial institution's agent in the name of the School District;
3. \$2,471,381 was uninsured and uncollateralized. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 could potentially prevent the School District from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real and public utility property taxes are payable annually and 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, unless extended. Under certain, circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the rates determined in the preceding year.

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second-Half Collections, 1999 First-Half Collections			
	Amount	%	Amount	%
Real Property	149,015,170	82.5	148,100,440	82.2
Public Utility Personal	11,926,820	6.8	12,656,930	7.0
Tangible Personal Property	19,613,465	10.7	19,372,360	10.8
Total Assessed Value	180,555,455	100.0	180,129,730	100.0
Tax Rate per \$1000 of Assessed Valuation	41.5		41.4	

The School District receives property taxes from Muskingum and Licking County. The County Auditor of each County 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$1,534,959 and is recognized as revenue in the general fund. At June 30, 1998, \$1,437,885 was available as an advance to the School District in the general fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and tuition), intergovernmental and interfund receivable. 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. A summary of the principal items of intergovernmental receivables follows:

Receivables	Amounts
General Fund:	
Miscellaneous Refund	\$891
Special Revenue Funds:	
Title VI-B	9,492
Food Service Enterprise Fund:	
Federal and State Subsidies	17,045
Total Receivables	\$27,428

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$233,352
Less: Accumulated Depreciation	(144,051)
Net Fixed Assets	\$89,301

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 6/30/98	Additions	Deletions	Balance 6/30/99
Land and Improvements	\$87,141	\$0	\$0	\$87,141
Buildings and Improvements	5,477,597	4,400	0	5,481,997
Furniture and Equipment	1,047,899	270,184	6,844	1,311,239
Vehicles	1,285,210	9,525	23,155	1,271,580
Total	\$7,897,847	\$284,109	\$29,999	\$8,151,957

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 8 - FIXED ASSETS (Continued)

The School District did not include textbooks or library books in the fixed assets.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for property insurance and fleet insurance. The coverage includes a \$1,000 deductible on property insurance and a \$250 on fleet coverage.

Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence and \$3,000,000 aggregate limit and a \$3,000 deductible with an umbrella of \$1,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP..

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to GRP.

The West Muskingum Local School District provides life insurance to all employees through Sun Life Insurance Company, in amounts ranging from \$5,000 to \$88,271.

Medical, prescription and dental coverage is provided on a self-insured basis through Benefit Services, Inc. Premiums for dental coverage are \$15.12 and \$50.39 for single and family coverage, respectively. These premiums are paid into the self-insurance fund and the board pays for all claims above the employees' co-pay within the limits of the dental insurance policy. The premiums for medical/prescription coverage range from \$176.23 for single and \$436.50 for family with the employees' paying varying percentages of the premiums. The premiums are paid into the self-insurance fund. The School District pays all claims above the employees' co-pay up to the stop loss coverage. Stop loss coverage is \$30,000 per individual per year and \$1,000,000 aggregate per year.

The claims liability of \$252,892 reported in the fund at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate provided by the School District's third party administrator. Changes in the fund's claims liability for 1999 and 1998 are:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Claims End of Year
1998	\$129,435	\$616,794	\$492,759	\$253,470
1999	\$253,470	\$669,174	\$669,752	\$252,892

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$83,888, \$113,716 and \$142,968, respectively; 46 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$45,445 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. STATE TEACHERS RETIREMENT SYSTEM

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$290,298, \$476,154 and \$598,992, respectively; 80 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$57,664 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

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, 1999, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$387,040 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$83,653.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - OTHER 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 vacation days at varying rates per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 12 - OTHER EMPLOYEE BENEFITS (Continued)

A. COMPENSATED ABSENCES (Continued)

Teachers, administrators and classified employees earn sick leave per month. Sick leave may be accumulated up to 215 days for certified and 210 days for classified. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to 50 days. An estimate of probable future payments for sick leave was made based upon historical employment information. Classified employees, upon retirement, receive payment for one-third of the total sick leave accumulation up to 49 days.

The amount of accumulated vacation and sick leave of employees paid from governmental funds that meets the eligibility requirements has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long term debt account group.

Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund when earned. The amount of compensated absences outstanding at June 30, 1999 is \$821,174.

B. LIFE INSURANCE

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

C. SPECIAL TERMINATION BENEFIT PAYABLE

Upon reaching 30 years of retirement credit in the State Teachers Retirement System (STRS), teachers become eligible to receive a \$12,000 retirement bonus, providing they retire in their 30th year. The benefit will be paid in a one lump sum at the time of retirement. Teachers who meet the criteria above and who have worked 25 years or more in the School District receive an additional \$2,000. Non-certified employees who have 25 years of SERS service, 10 of which are in the School District, shall receive an additional 5 days of severance pay.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases with the Ryder Truck Rental, Inc. for two school buses. The lease agreement is accounted for on a GAAP basis as a support services expenditure in the general fund with an offsetting amount reported as an other financing source.

The leases meet 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 have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$456,198, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	General Long-Term Obligations
2000	\$55,621
2001	55,621
2002	55,621
2003	55,621
2004-07	193,720
Total minimum lease payments	416,204
Less: amount representing interest	(56,523)
Present value of minimum lease payments	\$359,681

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District for the year ending June 30, 1999 is as follows:.

	Outstanding June 30, 1998	Additions	Payments	Outstanding June 30, 1999
Capital Leases	\$399,684	\$0	\$40,003	\$359,681
Pension Obligation	\$69,896	\$68,379	\$69,896	\$68,379
Compensated Absences	\$756,185	\$294,203	\$283,222	\$767,166
Total General Long-Term Obligations	\$1,225,765	\$362,582	\$393,121	\$1,195,226

Compensated absences reported in the "compensated absences payable" account will be paid from the fund which the employee's salaries are paid.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation, which represents the contractually required pension contribution paid outside the available period, will be paid from the fund from which the employees' salaries are paid.

NOTE 15- NOTES PAYABLE

The School District issued Energy Conservation Notes under House Bill 264 in June of 1992 with a final maturity in June of 2002 at an interest rate of 6.25%. Note activity for the year is as follows:

	Outstanding June 30, 1998	Additions	Payments	Outstanding June 30, 1999
Energy Conservation Notes	\$336,000	\$0	\$84,000	\$252,000

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15- NOTES PAYABLE (Continued)

Debt service requirements to maturity, including interest of \$31,500 are as follows:

2000	\$99,750
2001	94,500
2002	89,250
Totals	\$283,500

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the West Muskingum Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supply	Total Enterprise Funds
Operating Revenues	\$297,480	\$37,667	\$335,147
Operating Expenses before Depreciation	(425,953)	(41,041)	(466,993)
Depreciation	(9,250)	0	(9,250)
Operating Loss	(137,723)	(3,374)	(141,096)
Donated Commodities	23,840	0	23,840
Operating Grants	102,733	0	102,733
Interest	1,042	0	1,042
Net Loss	(8,170)	(3,374)	(11,544)
Net Working Capital	74,914	19,361	94,275
Total Assets	212,499	19,682	232,181
Total Equity	127,971	639	128,610
Encumbrances at June 30, 1998	2,990	6,297	9,287

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. LICKING AREA COMPUTER ASSOCIATION

Licking Area Computer Association is jointly governed organization created as a regional council of governments pursuant to State Statutes. LACA provides financial accounting services, student services, and educational management information system. Each member District pays an annual fee for services provided by LACA. LACA is governed by a Board of Directors which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and finance is limited to its voting authority and any representation which may have on the Board of Directors.

The Licking Area Joint Vocational School acts as the fiscal agent and receives funding from the State Department of Education. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists.

B. MID-EAST OHIO VOCATIONAL SCHOOL

The Mid-East Ohio Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Mid-East Ohio Vocational School, Cindy Nye, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

NOTE 18 - INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$3,987,281 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 19 - STATE SCHOOL FUNDING DECISION (Continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$50,193	\$50,193
Current Year Set-aside Requirement	135,667	135,667	67,834	339,168
Current Year Offsets	(26,288)	(23,677)	0	(49,965)
Qualifying Disbursements	(186,385)	(206,308)	0	(392,693)
Total	<u>(\$76,006)</u>	<u>(\$94,318)</u>	<u>\$118,027</u>	<u>(\$103,490)</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$118,027</u>	<u>118,027</u>
Amount restricted for bus purchases				<u>101,617</u>
Total Restricted Assets				<u><u>\$219,644</u></u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 21 - CONTINGENCIES

A. Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 21 - CONTINGENCIES (Continued)

B. Litigation:

The School District is currently not a party to any pending litigation that would have a material effect on the financial statements.

NOTE 22 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

As of December 17, 1998, West Muskingum Local School District had completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS).

The School District has five school buildings with heating and air conditioning systems which have extensive efficiency utilization measures within the systems. The company responsible for the HVAC facility management system has indicated the system in use by the School District is Year 2000 compliant.

The School District uses the State of Ohio Uniform Accounting System software for its financial reporting, and the State of Ohio Uniform School Accounting Staff Payroll System for its payroll and employee benefits. The State is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

Muskingum County collects property taxes for distribution to the School District. Muskingum County is responsible for remediating its tax collection system.

The School District utilizes an external service organization for its medical claims processing. The external service organization is responsible for remediating this system. Benefit Services Inc., has indicated they are Year 2000 compliant.

To the best of management's knowledge and belief, as of January 26, 2000, the School District experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$23,734	\$ -	\$23,840
National School Lunch Program	N/A	10.555	<u>93,799</u>	-	<u>93,799</u>	-
Total U.S. Department of Agriculture			93,799	23,734	93,799	23,840
<u>U.S. Department of Education</u>						
Passed Through Ohio Department of Education:						
Grants to Local Educational Agencies - (ESEA Title I)						
	C1S199	84.010	231,326	-	213,646	-
Special Education Grants to States - (IDEA Part B)						
	6BSF99P	84.027	84,640	-	82,011	-
			<u>8,880</u>	-	<u>8,114</u>	-
Total Title VI-B			93,520	-	100,125	-
Disadvantaged Pupil Impact Aid		84.041	1,626	-	1,626	-
Drug-Free Education Grant		84.186	5,005	-	5,005	-
Goals 2000						
	G2-S2-99	84.276	148,820	-	85,065	-
	G2-S2-98		<u>29,500</u>	-	-	-
Total Goals 2000			178,320	-	85,065	-
Dwight D. Eisenhower - Mathematics and Science Education Programs						
	MSS199	84.281	8,880	-	11,118	-
Title VI - Innovative Education Program Strategies						
	C2-S1-98	84.298	<u>7,168</u>	-	<u>11,008</u>	-
Total Passed Through Ohio Department of Education			525,845	-	427,593	-
Direct Program:						
E-Rate Telecomm		84.xxx	<u>7,803</u>	-	<u>7,803</u>	-
Total U. S. Department of Education			<u>533,648</u>	-	<u>435,396</u>	-
Total Federal Awards Receipts and Expenditures			<u>\$627,447</u>	<u>\$23,734</u>	<u>\$529,195</u>	<u>\$23,840</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the activity of the School District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To Members of the Board:

We have audited the financial statements of the West Muskingum Local School District, Muskingum County, Ohio, (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 26, 2000.

West Muskingum Local School District
Muskingum County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page -2-

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 26, 2000



**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To Members of the Board:

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 are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal controls that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 26, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A, IASA
(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.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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WEST MUSKUNGUM LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2000**