



Mary Taylor, CPA  
Auditor of State



**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Morgan Local School District  
Morgan County  
P.O. Box 509  
McConnelsville, Ohio 43756

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan Local School District, Morgan County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan Local School District, Morgan County, Ohio, as of June 30, 2007, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

January 25, 2008

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

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The discussion and analysis of the Morgan Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2007 are as follows:

- Net assets of governmental activities increased \$1,006,955.
- General revenues accounted for \$18,817,666 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,240,198 or 22% of total revenues of \$24,057,864.
- Total assets of governmental activities increased \$4,654,910. Cash and cash equivalents, intergovernmental receivables and property taxes receivable increased \$5,296,398, \$208,329, and \$516,231, respectively. Capital assets decreased \$1,429,496. Along with the assets, the total governmental activities liabilities also increased \$3,647,955. This increase is attributed mainly to the increase in deferred revenue and notes payable of \$164,896 and \$3,600,000 respectively, offset by a decrease in long-term liabilities from repayments of debt and capital leases of \$566,880.
- The School District had \$23,050,909 in expenses related to governmental activities; only \$5,240,198 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$18,817,666 were adequate to provide for these programs.
- The School District's three major funds were the General Fund, the Bond Retirement Debt Service Fund, and the School Facilities Capital Projects Fund. The General Fund had \$18,503,132 in revenues and \$17,562,616 in expenditures. The General Fund's balance increased \$1,046,426. The Bond Retirement Debt Service Fund had \$1,066,194 in revenues and \$868,923 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$283,867. The School Facilities Capital Project Funds had \$137,734 in revenues and \$120,520 in expenditures. The School Facilities Capital Projects Fund increased \$17,214.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

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

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For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the School Facilities Capital Projects Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**Morgan Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
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**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006.

Table 1  
Net Assets

	Governmental Activities		
	2007	2006	Change
<b>Assets</b>			
Current and Other Assets	\$17,095,128	\$11,010,722	\$6,084,406
Capital Assets	23,423,639	24,853,135	(1,429,496)
<b>Total Assets</b>	<b>40,518,767</b>	<b>35,863,857</b>	<b>4,654,910</b>
<b>Liabilities</b>			
Long-term Liabilities	9,325,260	9,551,462	(226,202)
Other Liabilities	10,959,957	7,085,800	3,874,157
<b>Total Liabilities</b>	<b>20,285,217</b>	<b>16,637,262</b>	<b>3,647,955</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	15,809,414	16,790,485	(981,071)
Restricted	2,455,078	1,959,491	495,587
Unrestricted	1,969,058	476,619	1,492,439
<b>Total Net Assets</b>	<b>\$20,233,550</b>	<b>\$19,226,595</b>	<b>\$1,006,955</b>

Total net assets increased \$1,006,955. Cash and cash equivalents, intergovernmental receivables, and property taxes receivable increased \$5,296,398, \$208,329, and \$516,231, respectively. The increase in cash is the result of additional state funding, investment income, indirect cost expense recovery, note proceeds, and a tuition payment. Offsetting these increases were decreases in capital assets of \$1,429,496. The decrease in capital assets is the result of depreciation.

Other liabilities increased \$3,874,157, mainly due to the \$3,600,000 increase in notes payable related to the bond anticipation note issued in fiscal year 2007. Long-term liabilities decreased from repayments of debt and capital leases for \$566,880, not including the refunding.

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

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

Table 2  
 Changes in Net Assets  
 Governmental Activities

	2007	2006	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$713,926	\$636,596	\$77,330
Operating Grants, Contributions and Interest	4,444,260	4,398,818	45,442
Capital Grants and Contributions	82,012	129,468	(47,456)
Total Program Revenues	<u>5,240,198</u>	<u>5,164,882</u>	<u>75,316</u>
General Revenues			
Property Taxes	4,954,908	4,283,273	671,635
Grants and Entitlements	13,328,038	13,079,487	248,551
Investment Earnings	349,222	198,728	150,494
Miscellaneous	184,704	125,927	58,777
Rent	794	0	794
Gain on Sale of Capital Assets	0	21,908	(21,908)
Total General Revenues	<u>18,817,666</u>	<u>17,709,323</u>	<u>1,108,343</u>
Total Revenues	<u>24,057,864</u>	<u>22,874,205</u>	<u>1,183,659</u>
<b>Program Expenses</b>			
Instruction:			
Regular	9,219,804	9,421,946	(202,142)
Special	2,356,822	2,413,634	(56,812)
Vocational	884,287	872,300	11,987
Adult/Continuing	440	2,075	(1,635)
Intervention	464,181	419,894	44,287
Support Services:			
Pupils	696,091	702,191	(6,100)
Instructional Staff	908,241	972,906	(64,665)
Board of Education	55,104	58,623	(3,519)
Administration	1,853,224	1,776,603	76,621
Fiscal	556,676	539,560	17,116
Business	193,748	201,420	(7,672)
Operation and Maintenance of Plant	2,051,775	1,938,878	112,897
Pupil Transportation	1,898,736	1,925,100	(26,364)
Central	155,514	187,193	(31,679)
Operation of Non-Instructional Services:			
Food Service Operations	1,084,852	926,002	158,850
Other	18,381	109,608	(91,227)
Extracurricular Activities	266,166	254,444	11,722
Interest and Fiscal Charges	386,867	470,213	(83,346)
Total Expenses	<u>23,050,909</u>	<u>23,192,590</u>	<u>(141,681)</u>
Increase (Decrease) in Net Assets	1,006,955	(318,385)	1,325,340
Net Assets Beginning of Year	19,226,595	19,544,980	(318,385)
Net Assets End of Year	<u>\$20,233,550</u>	<u>\$19,226,595</u>	<u>\$1,006,955</u>

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

During fiscal year 2007, the School District saw an increase in unrestricted grants. Unrestricted grants reflect an increase due to Parity Aid, Poverty Based Assistance (PBA), and GAP Aid. The School District receives substantial funding from the State (66%) due to the depressed economic condition of the area.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 21% of revenues for governmental activities for the School District in fiscal year 2007.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
 Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$9,219,804	\$8,071,981	\$9,421,946	\$8,245,857
Special	2,356,822	836,509	2,413,634	599,706
Vocational	884,287	841,694	872,300	837,396
Adult	440	440	2,075	2,075
Intervention	464,181	(55,000)	419,894	244,765
Support Services:				
Pupils	696,091	623,190	702,191	611,935
Instructional Staff	908,241	511,912	972,906	585,836
Board of Education	55,104	55,104	58,623	43,584
Administration	1,853,224	1,730,459	1,776,603	1,625,383
Fiscal	556,676	509,354	539,560	516,166
Business	193,748	186,070	201,420	193,528
Operation and Maintenance of Plant	2,051,775	1,971,018	1,938,878	1,930,270
Pupil Transportation	1,898,736	1,683,825	1,925,100	1,673,869
Central	155,514	141,627	187,193	144,404
Operation of Non-Instructional Services:				
Food Service Operations	1,084,852	114,431	926,002	5,516
Other	18,381	18,381	109,608	106,672
Extracurricular Activities	266,166	182,849	254,444	190,533
Interest and Fiscal Charges	386,867	386,867	470,213	470,213
<b>Total</b>	<u><u>\$23,050,909</u></u>	<u><u>\$17,810,711</u></u>	<u><u>\$23,192,590</u></u>	<u><u>\$18,027,708</u></u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2007, approximately 69% of instructional activities were supported through taxes and other general revenues.

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

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$18,503,132 and expenditures of \$17,562,616. The General Fund's balance increased \$1,046,426. The School District remains financially cautious. The economic condition within the School District would indicate the passage of an operating levy is highly unlikely.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2007, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$18,202,324, above final estimates of \$18,018,861. The \$183,463 difference was due to a slight increase in foundation funding, an increase in other local revenue, and an increase in interest income. Original estimates of \$18,015,211 were increased \$3,650.

The School District's ending unobligated General Fund balance was \$3,237,124.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the School District had \$23,423,639 invested in land, land improvements, construction in progress, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2007	2006
Land	\$310,164	\$310,164
Land Improvements	286,138	741,692
Construction in Progress	22,362	0
Buildings and Improvements	21,453,840	22,099,045
Furniture and Equipment	708,264	1,002,812
Vehicles	642,871	699,422
Totals	\$23,423,639	\$24,853,135

See Note 8 to the basic financial statements for more information on capital assets.

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

***Debt***

At June 30, 2007, the School District had \$11,815,516 in bonds, notes, and capital leases outstanding.

Table 5  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2007	2006
2007 Bond Anticipation Notes	\$3,600,000	\$0
1997 Energy Conservation Notes	42,307	82,601
2000 Energy Conservation Notes	499,750	543,926
1998 School Bus Acquisition Bonds	400,000	450,000
1999 School Bus Acquisition Bonds	290,000	325,000
2000 School Facilities Construction and Improvement Bonds	2,441,423	6,627,426
2006 School Facilities Construction and Improvement Refunding Bonds	4,127,053	0
Ohio Department of Education Loans	280,970	353,980
Capital Leases	134,013	85,238
Totals	\$11,815,516	\$8,468,171

See Notes 15 and 16 to the basic financial statements for more information on debt.

**Current Issues**

Over the past several years, the School District has controlled spending levels to build a cash balance. During the past six years, the School District had one year of deficit spending (2005). This was attributed to two years of bus purchases paid in one fiscal year.

The School District receives approximately 20% of its funding from local initiatives and the rest from state and federal monies. The School District does not expect any additional revenue from any of these sources in the near future.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure financial stability.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan Gable, Treasurer/CFO at Morgan Local School District, P.O. Box 509, McConnelsville, Ohio 43756, or e-mail at [mc\\_sgable@seovec.org](mailto:mc_sgable@seovec.org).

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**Morgan Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$10,843,346
Materials and Supplies Inventory	42,911
Intergovernmental Receivable	647,735
Prepaid Items	13,048
Accounts Receivable	4,496
Property Taxes Receivable	5,462,201
Deferred Charges	81,391
Nondepreciable Capital Assets	332,526
Depreciable Capital Assets, Net	<u>23,091,113</u>
<i>Total Assets</i>	<u>40,518,767</u>
<b>Liabilities</b>	
Accounts Payable	93,986
Accrued Wages and Benefits Payable	1,803,649
Contracts Payable	22,362
Accrued Interest Payable	28,562
Matured Compensated Absences Payable	121,038
Notes Payable	3,600,000
Vacation Benefits Payable	43,600
Deferred Revenue	4,114,311
Intergovernmental Payable	594,143
Claims Payable	538,306
Long-Term Liabilities:	
Due Within One Year	596,979
Due In More Than One Year	<u>8,728,281</u>
<i>Total Liabilities</i>	<u>20,285,217</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	15,809,414
Restricted for:	
Capital Projects	649,691
Debt Service	630,120
Budget Stabilization	76,683
Textbooks	236,663
Bus Purchase	389,514
Library Materials:	
Expendable	875
Nonexpendable	5,000
Other Purposes	466,532
Unrestricted	<u>1,969,058</u>
<i>Total Net Assets</i>	<u><u>\$20,233,550</u></u>

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2007*

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$9,219,804	\$213,406	\$934,417	\$0	(\$8,071,981)
Special	2,356,822	0	1,520,313	0	(836,509)
Vocational	884,287	20,034	22,559	0	(841,694)
Adult	440	0	0	0	(440)
Intervention	464,181	0	519,181	0	55,000
Support Services:					
Pupils	696,091	0	72,901	0	(623,190)
Instructional Staff	908,241	0	396,329	0	(511,912)
Board of Education	55,104	0	0	0	(55,104)
Administration	1,853,224	0	122,765	0	(1,730,459)
Fiscal	556,676	0	47,322	0	(509,354)
Business	193,748	0	7,678	0	(186,070)
Operation and Maintenance of Plant	2,051,775	0	80,757	0	(1,971,018)
Pupil Transportation	1,898,736	46,220	93,679	75,012	(1,683,825)
Central	155,514	0	13,887	0	(141,627)
Operation of Non-Instructional Services:					
Food Service Operations	1,084,852	357,949	612,472	0	(114,431)
Other	18,381	0	0	0	(18,381)
Extracurricular Activities	266,166	76,317	0	7,000	(182,849)
Interest and Fiscal Charges	386,867	0	0	0	(386,867)
<b>Totals</b>	<b>\$23,050,909</b>	<b>\$713,926</b>	<b>\$4,444,260</b>	<b>\$82,012</b>	<b>(17,810,711)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					3,787,086
					1,029,286
					138,536
					13,328,038
					349,222
					794
					184,704
					<b>18,817,666</b>
					<b>1,006,955</b>
					<b>19,226,595</b>
					<b>\$20,233,550</b>

See accompanying notes to the basic financial statements



**Morgan Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2007*

	General Fund	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,989,044	\$439,407	\$3,341,107	\$1,329,783	\$8,099,341
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	702,860	0	0	0	702,860
Receivables:					
Property Taxes	4,084,002	1,161,271	0	216,928	5,462,201
Accounts	3,224	0	0	1,272	4,496
Intergovernmental	32,132	0	0	615,603	647,735
Interfund	202,412	0	0	0	202,412
Prepaid Items	39,207	0	0	435	39,642
Materials and Supplies Inventory	27,136	0	0	15,775	42,911
<b>Total Assets</b>	<b>\$8,080,017</b>	<b>\$1,600,678</b>	<b>\$3,341,107</b>	<b>\$2,179,796</b>	<b>\$15,201,598</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$77,879	\$0	\$5,190	\$10,917	\$93,986
Contracts Payable	0	0	0	22,362	22,362
Accrued Wages and Benefits Payable	1,468,302	0	0	335,347	1,803,649
Interfund Payable	0	0	0	202,412	202,412
Matured Compensated Absences Payable	121,038	0	0	0	121,038
Accrued Interest Payable	0	0	707	177	884
Intergovernmental Payable	485,559	0	0	108,584	594,143
Deferred Revenue	3,676,085	1,079,245	0	726,929	5,482,259
Notes Payable	0	0	2,882,112	717,888	3,600,000
<b>Total Liabilities</b>	<b>5,828,863</b>	<b>1,079,245</b>	<b>2,888,009</b>	<b>2,124,616</b>	<b>11,920,733</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	396,378	0	13,925	288,502	698,805
Reserved for Textbooks	236,663	0	0	0	236,663
Reserved for Budget Stabilization	76,683	0	0	0	76,683
Reserved for Property Taxes	407,917	82,026	0	16,317	506,260
Reserved for Bus Purchase	389,514	0	0	0	389,514
Reserved for Endowment	0	0	0	5,000	5,000
Unreserved:					
Designated for Textbooks	37,376	0	0	0	37,376
Undesignated (Deficits), Reported in:					
General Fund	706,623	0	0	0	706,623
Special Revenue Funds	0	0	0	(233,095)	(233,095)
Debt Service Fund	0	439,407	0	0	439,407
Capital Projects Funds	0	0	439,173	(22,419)	416,754
Permanent Fund	0	0	0	875	875
<b>Total Fund Balances</b>	<b>2,251,154</b>	<b>521,433</b>	<b>453,098</b>	<b>55,180</b>	<b>3,280,865</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,080,017</b>	<b>\$1,600,678</b>	<b>\$3,341,107</b>	<b>\$2,179,796</b>	<b>\$15,201,598</b>

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2007*

<b>Total Governmental Fund Balances</b>		\$3,280,865
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,423,639
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	841,630	
Grants	526,318	1,367,948
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		1,476,245
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		81,391
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(27,678)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(43,600)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(6,568,476)	
Energy Conservation Notes Payable	(542,057)	
Bus Purchase Bonds Payable	(690,000)	
Loans Payable	(280,970)	
Capital Lease Payable	(134,013)	
Sick Leave Benefits Payable	(1,109,744)	(9,325,260)
Net Assets of Governmental Activities		\$20,233,550

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2007*

	General	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$3,794,879	\$994,782	\$0	\$126,844	\$4,916,505
Intergovernmental	13,997,320	71,412	114,623	3,369,242	17,552,597
Investment Earnings	325,629	0	23,111	582	349,322
Customer Services	46,220	0	0	357,949	404,169
Tuition and Fees	208,706	0	0	24,734	233,440
Extracurricular Activities	0	0	0	76,317	76,317
Rent	794	0	0	0	794
Miscellaneous	129,584	0	0	55,370	184,954
<i>Total Revenues</i>	<u>18,503,132</u>	<u>1,066,194</u>	<u>137,734</u>	<u>4,011,038</u>	<u>23,718,098</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	8,028,323	0	0	893,312	8,921,635
Special	1,557,411	0	0	726,223	2,283,634
Vocational	800,068	0	0	46,262	846,330
Adult	440	0	0	0	440
Intervention	0	0	0	466,253	466,253
Support Services:					
Pupils	736,501	0	0	63,949	800,450
Instructional Staff	512,703	0	0	351,224	863,927
Board of Education	55,104	0	0	0	55,104
Administration	1,540,405	0	0	125,297	1,665,702
Fiscal	487,666	23,196	0	46,142	557,004
Business	146,905	0	0	34,628	181,533
Operation and Maintenance of Plant	1,463,968	0	0	138,560	1,602,528
Pupil Transportation	1,819,086	0	0	98,173	1,917,259
Central	140,036	0	0	13,047	153,083
Operation of Non-Instructional Services	0	0	0	1,014,090	1,014,090
Extracurricular Activities	170,287	0	0	82,926	253,213
Capital Outlay	7,834	0	114,623	56,160	178,617
Debt Service:					
Principal Retirement	84,400	482,480	0	0	566,880
Interest and Fiscal Charges	11,479	276,651	5,897	1,470	295,497
Refunding Bond Issuance Costs	0	86,596	0	0	86,596
<i>Total Expenditures</i>	<u>17,562,616</u>	<u>868,923</u>	<u>120,520</u>	<u>4,157,716</u>	<u>22,709,775</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>940,516</u>	<u>197,271</u>	<u>17,214</u>	<u>(146,678)</u>	<u>1,008,323</u>
<b>Other Financing Sources (Uses)</b>					
Refunding Bonds Issued	0	4,059,993	0	0	4,059,993
Premium on Capital Appreciation					
Refunding Bonds Issued	0	424,831	0	0	424,831
Discount on Refunding Bonds Issued	0	(41,418)	0	0	(41,418)
Payment to Refunded Bond Escrow Agent	0	(4,356,810)	0	0	(4,356,810)
Inception of Capital Lease	133,175	0	0	0	133,175
Transfers In	0	0	0	27,265	27,265
Transfers Out	(27,265)	0	0	0	(27,265)
<i>Total Other Financing Sources (Uses)</i>	<u>105,910</u>	<u>86,596</u>	<u>0</u>	<u>27,265</u>	<u>219,771</u>
<i>Net Change in Fund Balance</i>	1,046,426	283,867	17,214	(119,413)	1,228,094
<i>Fund Balances Beginning of Year</i>	1,204,728	237,566	435,884	174,593	2,052,771
<i>Fund Balances End of Year</i>	<u>\$2,251,154</u>	<u>\$521,433</u>	<u>\$453,098</u>	<u>\$55,180</u>	<u>\$3,280,865</u>

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,228,094

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:

Capital Asset Additions	519,497	
Capital Contributions	7,000	
Depreciation Expense	<u>(1,943,793)</u>	(1,417,296)

The cost of the capital assets is removed from the capital asset account on the statement of net assets, resulting in a loss on disposal of capital assets on the statement of activities. (12,200)

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

Grants	294,613	
Delinquent Taxes	38,403	
Miscellaneous	<u>(250)</u>	332,766

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 566,880

Refund of debt in an other financing use in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 4,356,810

Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Premium on Capital Appreciation Bonds	(424,831)	
General Obligation Refunding Bonds	(4,059,993)	
Discount	<u>41,418</u>	(4,443,406)

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets. (133,175)

Issuance costs are reported as an expenditures when paid in the governmental funds, but is deferred and amortized on the statements of activities. This is the unamortized issuance costs on the bonds. 86,596

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Capital Appreciation Bond Premium	40,257	
Annual Accretion	(114,379)	
Amortization of Issuance Costs	(5,205)	
Amortization of Deferred Amount on Refunding	(17,842)	
Amortization of Discount	(2,490)	
Interest Payable	<u>8,289</u>	(91,370)

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

Vacation Benefits Payable	(7,562)	
Sick Leave Benefits Payable	<u>(26,453)</u>	(34,015)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 567,271

*Change in Net Assets of Governmental Activities* \$1,006,955

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2007*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$3,343,071	\$3,343,071	\$3,545,816	\$202,745
Intergovernmental	14,219,363	14,222,863	13,966,807	(256,056)
Investment Earnings	188,447	188,447	325,727	137,280
Customer Services	30,000	30,000	34,708	4,708
Tuition and Fees	149,530	149,530	198,050	48,520
Rent	500	500	794	294
Miscellaneous	84,300	84,450	130,422	45,972
<i>Total Revenues</i>	<u>18,015,211</u>	<u>18,018,861</u>	<u>18,202,324</u>	<u>183,463</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,089,494	12,089,694	8,062,198	4,027,496
Special	316,343	316,343	1,513,489	(1,197,146)
Vocational	166,209	169,709	823,221	(653,512)
Adult	0	0	440	(440)
Support Services:				
Pupils	1,928,532	1,929,032	747,770	1,181,262
Instructional Staff	362,626	362,426	542,190	(179,764)
Board of Education	76,259	76,259	62,151	14,108
Administration	399,143	399,143	1,548,994	(1,149,851)
Fiscal	395,623	395,623	525,763	(130,140)
Business	20,528	20,528	140,713	(120,185)
Operation and Maintenance of Plant	1,027,004	1,027,004	1,560,472	(533,468)
Pupil Transportation	1,752,488	1,752,488	1,973,333	(220,845)
Central	6,873	6,873	144,732	(137,859)
Extracurricular Activities	0	0	178,444	(178,444)
Capital Outlay	9,300	9,300	8,279	1,021
<i>Total Expenditures</i>	<u>18,550,422</u>	<u>18,554,422</u>	<u>17,832,189</u>	<u>722,233</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(535,211)</u>	<u>(535,561)</u>	<u>370,135</u>	<u>905,696</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	20,000	20,000	22,744	2,744
Advances In	243,170	243,170	243,170	0
Advances Out	(50,000)	(50,000)	(197,301)	(147,301)
Transfers Out	(48,116)	(48,116)	(27,265)	20,851
<i>Total Other Financing Sources (Uses)</i>	<u>165,054</u>	<u>165,054</u>	<u>41,348</u>	<u>(123,706)</u>
<i>Net Change in Fund Balance</i>	(370,157)	(370,507)	411,483	781,990
<i>Fund Balance Beginning of Year</i>	2,207,544	2,207,544	2,207,544	0
Prior Year Encumbrances Appropriated	<u>618,097</u>	<u>618,097</u>	<u>618,097</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,455,484</u>	<u>\$2,455,134</u>	<u>\$3,237,124</u>	<u>\$781,990</u>

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2007*

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	<u>Self Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,041,145</u>
<b>Current Liabilities</b>	
Deferred Revenue	26,594
Claims Payable	<u>538,306</u>
<i>Total Liabilities</i>	<u>564,900</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,476,245</u></u>

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**  
*Statement of Revenues,  
 Expenses and Changes in Fund Net Assets  
 Internal Service Fund  
 For the Fiscal Year Ended June 30, 2007*

	Self Insurance
<b>Operating Revenues</b>	
Charges for Services	\$3,003,866
<b>Operating Expenses</b>	
Purchased Services	240,101
Claims	2,196,494
<i>Total Operating Expenses</i>	2,436,595
<i>Change in Net Assets</i>	567,271
<i>Net Assets Beginning of Year</i>	908,974
<i>Net Assets End of Year</i>	\$1,476,245

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2007*

	Self Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$3,003,734
Cash Payments to Suppliers for Services	(240,101)
Cash Payments for Claims	(2,133,737)
<i>Net Cash Provided by Operating Activities</i>	629,896
<i>Cash and Cash Equivalents Beginning of Year</i>	1,411,249
<i>Cash and Cash Equivalents End of Year</i>	\$2,041,145
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$567,271
<b>Changes in Assets and Liabilities</b>	
Decrease in Accounts Receivable	1,879
Increase in Claims Payable	60,878
Decrease in Deferred Revenue	(132)
<i>Net Cash Provided by Operating Activities</i>	\$629,896

See accompanying notes to the basic financial statements



**Morgan Local School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2007*

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	Private Purpose Trust	
	Parsons Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,883	\$31,691
Cash and Cash Equivalents in Segregated Accounts	0	1,937
Investments	100,000	0
Interest Receivable	7,816	0
	<hr/>	<hr/>
<i>Total Assets</i>	113,699	\$33,628
	<hr/>	<hr/>
<b>Liabilities</b>		
Due to Students	0	\$31,691
Undistributed Monies	0	1,937
	<hr/>	<hr/>
<i>Total Liabilities</i>	0	\$33,628
	<hr/>	<hr/>
<b>Net Assets</b>		
Held in Trust for Scholarships	\$113,699	
	<hr/>	

See accompanying notes to the basic financial statements

**Morgan Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2007*

	Private Purpose Trust
	Parsons Scholarship
<b>Additions</b>	
Investment Earnings	\$3,770
<b>Deductions</b>	
Scholarships	1,000
<i>Change in Net Assets</i>	2,770
<i>Net Assets Beginning of Year</i>	110,929
<i>Net Assets End of Year</i>	\$113,699

See accompanying notes to the basic financial statements

## **Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District is a countywide school district located in Morgan County, in the heart of Southeast Ohio, the Appalachian region of the State. The School District is nestled between Zanesville and Marietta on the scenic Muskingum River. Incorporating all of Morgan County's 421 square miles, the School District is, in terms of physical size, the third largest district in Ohio. The County is substantially rural with a population of 14,000.

The School District is a consolidation of seven small communities. Prior to 1966, each community had a kindergarten through 12<sup>th</sup> grade building. In 1966, a consolidated high school was built to serve Morgan County and the seven different community buildings were converted to kindergarten through 8<sup>th</sup> grade buildings. In late 2002, the School District completed four new elementary schools and a new middle school. Six of the seven old elementary buildings were sold and one remains the property of the School District.

The School District is staffed by 116 classified employees and 188 certificated personnel who provide services to 2,244 students and other community members. The School District currently operates six instructional buildings, one administrative office site, and one garage.

#### **Reporting Entity:**

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, preschool, vocational instruction, and student related activities of the School District.

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

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the South Eastern Ohio Special Education Regional Resource Center, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless the pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described as follows:

**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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

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

## Morgan Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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### **B. Fund Accounting**

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

#### **Governmental Funds:**

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

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

**Bond Retirement Debt Service Fund** The Bond Retirement Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**School Facilities Capital Projects Fund** The School Facilities Capital Projects Fund is used to account for monies received from the State and debt issuances for the construction of new school buildings.

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

#### **Proprietary Funds:**

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 is the School District's proprietary fund:

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

#### **Fiduciary Funds:**

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

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

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**C. Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

**Revenues - Exchange and Non-Exchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations.

## **Morgan Local School District, Ohio**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

#### **Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

#### **Expenses/Expenditures**

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

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

#### **E. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted.

## **Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

### **F. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, except a portion of the private purpose trust fund, are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2007, investments consisted of nonparticipating certificates of deposit, which are reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$325,629, which includes \$159,309 assigned from other School District funds.

The School District has a segregated bank account for flexible spending account monies held separate from the School District's central bank account. These depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

### **G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.



**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. Restricted assets include amounts required by Statute to be set-aside by the School District for the creation of a reserve for the purchase of textbooks and other instructional material, a reserve for budget stabilization, and unexpended grants restricted for the purchase of buses. See Note 20 for additional information regarding set-asides.

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 10 years

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as “Vacation Benefits Payable”, rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

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.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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The School District records a liability for accumulated unused sick leave for classified and certified employees with ten or more years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as “matured compensated absences payable” in the fund from which the employees who will receive the payment are paid.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. Payments for interfund services provided and used are not eliminated.

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

**M. Interfund Transactions**

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**N. Fund Balance Reserves**

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

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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**O. Designated Fund Balance**

Designations represent tentative plans for future use of financial resources. The School District has a designation of fund balance on the balance sheet for money set aside for textbooks in excess of the amount required by State statute.

**P. Unamortized Issuance Costs, Bond Premiums and Discounts, and Accounting Gains**

On government-wide financial statements, issuance costs and bond discounts and premiums are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges. Bond discounts and accounting gains are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

On the government fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$2,455,078 of restricted net assets, none of which are restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

**S. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 3 - FUND DEFICITS**

The following funds had deficit fund balances as of June 30, 2007:

	<u>Deficit Fund Balances</u>
<b>Special Revenue Funds:</b>	
Lunchroom	\$102,575
Education Management Information System	2,886
Other State Grants	91,245
Part-B Idea	88,228
Vocational Education	2,516
Title I	85,805
Preschool Grant	565
Miscellaneous Federal Grants	14,517
<b>Capital Projects Funds:</b>	
Building Fund	23,635

The deficits in the Special Revenue Funds are the result of over-expended grant resources. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur. The deficit in the Capital Projects Fund is due to the recognition of contracts payable.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unrecorded interest is reported on the balance sheet (GAAP basis), but not on the budgetary basis.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

Net Change in Fund Balance

GAAP Basis	\$1,046,426
Revenue Accruals	(278,162)
Expenditure Accruals	51,511
Unreported Items:	
Beginning of Fiscal Year	737
End of Fiscal Year	(639)
Prepaid Items:	
Beginning of Fiscal Year	39,089
End of Fiscal Year	(39,207)
Advances In	243,170
Advances Out	(197,301)
Encumbrances	<u>(454,141)</u>
Budget Basis	<u><u>\$411,483</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

## Morgan Local School District, Ohio

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,944,853 of the School District's bank balance of \$7,144,967 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

**Investments** As of June 30, 2007, the School District had an investment in STAROhio. The fair value of this investment was \$4,321,476, with an average maturity of 38.56 days.

**Interest Rate Risk** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

## **Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**Credit Risk** STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addressed credit risk.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer.

### **NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.50 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Morgan, Washington, and Muskingum Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2007, was \$407,917 in the General Fund, \$82,026 in the Bond Retirement Debt Service Fund, and \$16,317 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred. The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$150,290,990	83.53%	\$177,054,500	86.22%
Public Utility Personal	20,713,960	11.51%	20,767,470	10.11%
Tangible Personal	8,922,212	4.96%	7,527,792	3.67%
	<u>\$179,927,162</u>	<u>100.00%</u>	<u>\$205,349,762</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$35.97		\$37.52

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental receivables. 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 fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
21st Century Grant	\$153,385
Title I	140,770
School Lunch Reimbursement	77,696
IDEA Part B	123,812
Title II-A	41,198
Miscellaneous Reimbursements	12,132
ECSE	7,163
Title VI	2,800
Vocational Education Enhancement	2,885
School Readiness Enrichment	5,989
CAFS	20,000
CORE Grant	46,726
Entry Year Grant	5,600
Literacy Improvement	7,579
	<u>\$647,735</u>



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

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>6/30/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2007</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$310,164	\$0	\$0	\$310,164
Construction in Progress	0	22,362	0	22,362
Total Capital Assets not being Depreciated	<u>310,164</u>	<u>22,362</u>	<u>0</u>	<u>332,526</u>
Depreciable Capital Assets:				
Land Improvements	2,643,864	0	0	2,643,864
Buildings and Improvements	28,002,903	152,193	0	28,155,096
Furniture and Equipment	4,303,625	192,362	(122,000)	4,373,987
Vehicles	2,425,415	159,580	0	2,584,995
Total Capital Assets being Depreciated	<u>37,375,807</u>	<u>504,135</u>	<u>(122,000)</u>	<u>37,757,942</u>
Less Accumulated Depreciation				
Land Improvements	(1,902,172)	(455,554)	0	(2,357,726)
Buildings and Improvements	(5,903,858)	(797,398)	0	(6,701,256)
Furniture and Equipment	(3,300,813)	(474,710)	109,800	(3,665,723)
Vehicles	(1,725,993)	(216,131)	0	(1,942,124)
Total Accumulated Depreciation	<u>(12,832,836)</u>	<u>(1,943,793) *</u>	<u>109,800</u>	<u>(14,666,829)</u>
Total Capital Assets being Depreciated, Net	<u>24,542,971</u>	<u>(1,439,658)</u>	<u>(12,200)</u>	<u>23,091,113</u>
Capital Assets, Net	<u>\$24,853,135</u>	<u>(\$1,417,296)</u>	<u>(\$12,200)</u>	<u>\$23,423,639</u>

During fiscal year 2007, the School District received donated capital assets in the amount of \$7,000.

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$486,684
Special	147,089
Vocational	66,453
Support Services:	
Pupils	44,027
Instructional Staff	107,409
Administration	206,076
Fiscal	8,227
Business	11,257
Operation and Maintenance of Plant	497,310
Pupil Transportation	216,227
Central	2,431
Food Service Operations	137,650
Extracurricular Activities	12,953
Total Depreciation Expense	<u>\$1,943,793</u>

**Morgan Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage:

Coverage provided by Utica National Insurance Group is as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$47,202,500
General Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Medical Expense (per person)	5,000
Employee Benefits Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Educator's Legal Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	2,000,000
Public Employee Dishonesty	100,000
Automobile Liability (\$1,000 Comprehensive/\$1,000 collision):	
Bodily Injury and Property Damage (each accident)	1,000,000
Other Than Auto Only, aggregate	3,000,000
Medical Payments	5,000
Uninsured Motorists (No deductible)	1,000,000

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

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co., provides administrative, cost control, and actuarial services to the GRP.

Medical, dental, vision, and prescription insurance is offered to employees through a self-insurance internal service fund. The School District contracts with a third party administrator to handle stop-loss coverage. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$538,306 reported in the internal service fund at June 30, 2007, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

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Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2006	\$437,613	\$2,161,437	\$2,121,622	\$477,428
2007	477,428	2,194,615	2,133,737	538,306

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$262,008, \$242,645, and \$275,949, respectively; 55.68 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

## **Morgan Local School District, Ohio**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,190,805, \$1,191,594, and \$1,167,009, respectively; 84.66 percent has been contributed for fiscal year 2007, and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$8,166 made by the School District and \$17,324 made by the plan members.

### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, there are three employees who have elected Social Security.

### **NOTE 11 - POSTEMPLOYMENT 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage.

## **Morgan Local School District, Ohio**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$91,600 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$127,204.

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

## **NOTE 12 - EMPLOYEE BENEFITS**

### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days cannot be carried forward for more than one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for certified employees and a maximum of 225 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for certified and 55 days for classified employees.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

**B. Other Employee Insurances**

The School District provides life insurance and accidental death and dismemberment insurance through CoreSource, in the amount of \$30,000 for all employees.

**NOTE 13 - INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2007, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$202,412	\$0
Other Nonmajor Governmental Funds:		
Other State Grants	0	7,240
Part-B Idea Grant	0	40,141
Title I	0	9,218
Miscellaneous Federal Grants	0	39,243
Lunchroom	0	106,570
Total Other Nonmajor Governmental Funds	<u>0</u>	<u>202,412</u>
Total All Funds	<u>\$202,412</u>	<u>\$202,412</u>

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by Special Revenue Funds. The interfund balances are anticipated to be repaid within one fiscal year.

During the year, the General Fund transferred \$27,265 to non-major governmental funds to help reduce deficit fund balances.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

In the current and prior fiscal years, the School District entered into capitalized leases for copier equipment, an administration building, and modular classrooms. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2007 were \$84,400.

	<u>Governmental Activities</u>
Buildings	\$274,371
Equipment	133,175
Total Property under Capital Lease	<u>407,546</u>
Less Accumulated Depreciation	<u>(37,246)</u>
Total June 30, 2007	<u>\$370,300</u>

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007.

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$40,771
2009	33,145
2010	33,144
2011	33,144
2012	29,890
Total	<u>170,094</u>
Less: Amount Representing Interest	<u>(36,081)</u>
Present Value of Net Minimum Lease Payments	<u>\$134,013</u>

**NOTE 15 - SHORT-TERM DEBT OBLIGATIONS**

On June 28, 2007, the School District issued general obligation bond anticipation notes for \$3,600,000 at 4.5% interest. The debt proceeds were deposited into two funds: the School Facilities and Local Building Capital Projects Funds. The proceeds will be used for improvements to the high school building. The notes will mature on December 19, 2007.

**NOTE 16 - LONG-TERM OBLIGATIONS**

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

## Morgan Local School District, Ohio

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due Within One Year
Energy Conservation:					
1997 Improvement Bonds - 5%	\$82,601	\$0	\$40,294	\$42,307	\$42,307
2000 Long-Term Note - 5.9%	543,926	0	44,176	499,750	46,743
<b>Total Energy Conservation Debt</b>	<b>626,527</b>	<b>0</b>	<b>84,470</b>	<b>542,057</b>	<b>89,050</b>
1998 School Bus Acquisition Bonds - 4.5% to 4.8%	450,000	0	50,000	400,000	50,000
1999 School Bus Acquisition Bonds - 4.45% to 4.75%	325,000	0	35,000	290,000	35,000
<b>Total School Bus Acquisition Bonds</b>	<b>775,000</b>	<b>0</b>	<b>85,000</b>	<b>690,000</b>	<b>85,000</b>
2004 Ohio Department of Education Construction Loan - 0%	175,434	0	13,495	161,939	13,495
2004 Ohio Department of Education Equipment Loan - 0%	178,546	0	59,515	119,031	59,515
<b>Total ODE Loans</b>	<b>353,980</b>	<b>0</b>	<b>73,010</b>	<b>280,970</b>	<b>73,010</b>
2000 School Facilities Construction and Improvement General Obligation Bonds:					
Serial Bonds - 5.25%	1,390,000	0	210,000	1,180,000	260,000
Term Bonds - 5.75%	4,060,000	0	4,060,000	0	0
Original Issue of Capital Appreciation Bonds - 21.947% - 21.861%	771,905	0	0	771,905	0
Accretion on Capital Appreciation Bonds	405,521	83,997	0	489,518	0
<b>Total 2000 School Facilities GO Bonds</b>	<b>6,627,426</b>	<b>83,997</b>	<b>4,270,000</b>	<b>2,441,423</b>	<b>260,000</b>
2006 School Facilities Construction and Improvement General Obligation Bonds:					
Serial Bonds - 4.10%	0	3,190,000	0	3,190,000	0
Term Bonds - 3.80-4.00%	0	635,000	30,000	605,000	60,000
Original Issue of Capital Appreciation Bonds - 14.276%	0	234,993	0	234,993	0
Capital Appreciation Bonds:					
Accretion	0	30,382	0	30,382	0
Premium	0	424,831	40,257	384,574	0
Deferred Amount on Refunding	0	(296,810)	(17,842)	(278,968)	0
Discount	0	(41,418)	(2,490)	(38,928)	0
<b>Total 2006 School Facilities GO Bonds</b>	<b>0</b>	<b>4,176,978</b>	<b>49,925</b>	<b>4,127,053</b>	<b>60,000</b>
Capital Leases	85,238	133,175	84,400	134,013	29,919
Sick Leave Benefits Payable	1,083,291	161,918	135,465	1,109,744	0
<b>Total Long-Term Obligations</b>	<b>\$9,551,462</b>	<b>\$4,556,068</b>	<b>\$4,782,270</b>	<b>\$9,325,260</b>	<b>\$596,979</b>



**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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On December 15, 1997, the School District issued \$343,028 in energy conservation improvement bonds for the purpose of providing energy measures for the School District. The bond was issued for a ten year period with final maturity during fiscal year 2008. The debt will be retired through reductions in energy consumption and cost savings attributed to energy conservation improvements. Tax revenues were allocated from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

On September 26, 2000, the School District issued \$745,982 in an unvoted energy conservation long-term note for the purpose of providing energy measures for the School District. The note was issued for a fifteen year period with final maturity during fiscal year 2016. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

On September 1, 1998, and April 15, 1999, the School District issued \$725,000 and \$520,000, respectively, in unvoted school bus acquisition bonds for the purpose of acquiring school buses. Both bonds were issued for a 15 year period with final maturity during fiscal year 2014. The debt will be repaid through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

During fiscal year 2004, the School District entered into a loan agreement with the Ohio Department of Education for \$500,000. The loan is broken out into two components: \$202,424 for assisting with construction costs of workforce education facilities to be repaid in 30 equal semiannual installments beginning July, 2005, and \$297,576 for assisting with the purchase of workforce education equipment to be repaid in 10 equal semiannual installments beginning July, 2005. This loan was used by the School District to replace the roof on the vocational building. The loan is interest free and is being paid out of the Bond Retirement Debt Service Fund.

On April 1, 2000, the School District issued \$6,996,905 in voted general obligation bonds for constructing school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$2,165,000, \$4,060,000, and \$771,905, respectively. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.76 mill voted property tax levy. The term bonds were refunded in fiscal year 2007 (see discussion below). The liability for the remaining bonds, consisting of serial and capital appreciation bonds, is recorded in the Statement of Net Assets.

The current interest Bonds maturing December 1, 2022, are subject to optional redemption at the option of the Board of Education on or after December 1, 2010, in whole or in part (in the amount of \$5,000 or any integral multiple thereof) on any date at the redemption price (expressed as a percentage of the principal amount) set forth below, plus accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100%

The capital appreciation bonds will mature in fiscal years 2012 thru 2016. The maturity amount of the bonds is \$1,980,000. For the fiscal year 2007, \$83,997 was accreted for a total bond value of \$1,261,423.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

Principal and interest requirements to retire the 2000 general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year Ending	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008	\$260,000	\$55,125	\$0	\$0
2009	280,000	40,950	0	0
2010	300,000	25,725	0	0
2011	340,000	8,925	0	0
2012	0	0	164,595	195,404
2013-2016	0	0	607,310	1,012,691
Total	<u>\$1,180,000</u>	<u>\$130,725</u>	<u>\$771,905</u>	<u>\$1,208,095</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

On July 5, 2006, the School District issued \$4,059,993 in refunding bonds to retire \$4,060,000 of outstanding school improvement term bonds. \$4,356,810 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. At June 30, 2007, \$4,286,852 remains in this account. As a result, \$4,060,000 of refunded bonds is considered defeased and the liability is removed from the statement of net assets.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$296,810. This difference, reported as a deduction from bonds payable, is being charged to interest through fiscal year 2023. The School District decreased its total debt service payments by \$374,428 as a result of the refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$273,904.

The Serial Refunding Bonds maturing on December 1, 2018, and thereafter, are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education on or after December 1, 2016, at par.

The 2006 capital appreciation bonds were sold at a premium of \$424,831, of which \$40,257 was amortized in fiscal year 2007. The capital appreciation bonds will mature in fiscal year 2018. The maturity amount of the bonds is \$1,055,000. For the fiscal year 2007, \$30,382 was accreted for a total bond value of \$265,375.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

Principal and interest requirements to retire the 2006 general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year Ending	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$0	\$0	\$60,000	\$153,230	\$0	\$0
2009	0	0	60,000	150,950	0	0
2010	0	0	60,000	148,670	0	0
2011	0	0	65,000	146,295	0	0
2012	0	0	65,000	143,825	0	0
2013-2017	0	196,185	295,000	482,065	125,029	399,971
2018-2022	2,465,000	460,738	0	0	109,964	420,036
2023	725,000	14,863	0	0	0	0
<b>Total</b>	<b>\$3,190,000</b>	<b>\$671,786</b>	<b>\$605,000</b>	<b>\$1,225,035</b>	<b>\$234,993</b>	<b>\$820,007</b>

Principal and interest requirements to maturity on the energy conservation debt are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$89,050	\$29,949	\$118,999
2009	49,620	26,016	75,636
2010	52,591	23,045	75,636
2011	55,739	19,896	75,635
2012	59,032	16,602	75,634
2013-2016	236,025	28,695	264,720
<b>Total</b>	<b>\$542,057</b>	<b>\$144,203</b>	<b>\$686,260</b>

Principal requirements to maturity on the Ohio Department of Education Loans are as follows:

Fiscal Year Ending June 30,	Principal
2008	\$73,010
2009	73,010
2010	13,495
2011	13,495
2012	13,495
2013-2017	67,475
2018-2019	26,990
<b>Total</b>	<b>\$280,970</b>

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

Principal and interest requirements to maturity on the school bus acquisition bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$85,000	\$30,546	\$115,546
2009	90,000	26,225	116,225
2010	95,000	22,342	117,342
2011	95,000	17,802	112,802
2012	105,000	13,023	118,023
2013-2014	220,000	10,536	230,536
Total	<u>\$690,000</u>	<u>\$120,474</u>	<u>\$810,474</u>

The School District's overall legal debt margin was \$11,376,855, with an unvoted debt margin of \$195,659 at June 30, 2007.

Capital leases will be paid from the General Fund. Compensated absences were paid from the General Fund and the Food Service, Disadvantaged Pupil Impact Aid, Miscellaneous State Grants, IDEA-B, Vocational Education, Title IIA, and the Title I Special Revenue Funds.

**NOTE 17 – CONTRACTUAL COMMITMENT**

As of June 30, 2007, the School District had contractual purchase commitments for the replacement of the stadium bleachers and lighting. The contracts are accounted for in the Construction Capital Projects Fund.

Project	Contract Amount	Amount Expended	Amount Remaining
Stadium Bleachers and Lighting	\$217,500	\$22,362	\$195,138

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)**

Southeastern Ohio Voluntary Education Cooperative is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2007, the School District paid \$53,670 to SEOVEC. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Educational Consortium, at 221 North Columbus Road, Athens, Ohio 45701.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**B. South Eastern Ohio Special Education Regional Resource Center**

The South Eastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representative of county boards of MR/DD, Ohio University, and Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Morgan Local School District's Superintendent is an alternate for the SERRC Board. During fiscal year 2007, the School District paid \$7,433 to SERRC. During fiscal year 2007, the School District paid \$7,433 to the SERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**C. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various inservice for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2007, the School District paid \$345 to the Coalition.

**NOTE 19 - INSURANCE PURCHASING POOL**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the 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 20 - SET-ASIDE CALCULATIONS**

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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the Board be returned to the School District's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute and at June 30, 2007, this continues to be set aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2006	\$121,273	\$0	\$76,683
Current year set-aside requirement	295,948	295,948	0
Offset Credits	0	(121,142)	0
Qualifying Disbursements	(180,558)	(321,538)	0
Totals	<u>\$236,663</u>	<u>(\$146,732)</u>	<u>\$76,683</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$236,663</u>	<u>\$0</u>	<u>\$76,683</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$236,663</u>	<u>\$0</u>	<u>\$76,683</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$313,346.

**NOTE 21 - DONOR-RESTRICTED ENDOWMENTS**

The School District's permanent fund includes a donor-restricted endowment. Net Assets – Library Materials – Nonexpendable of \$5,000 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is \$385 and is included as Net Assets – Library Materials – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to purchase library materials each fiscal year.

**Morgan Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

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

**NOTE 23 – SUBSEQUENT EVENT**

On October 2, 2007, the School District issued school improvement general obligation bonds for \$3,599,998, which consisted of serial, term, and capital appreciation bonds. The bonds were issued for a 27 year period.

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**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 45,938	\$	\$ 45,938
Child Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2006 05PU-2007	17,955 77,528		17,955 77,528	
Total School Breakfast Program			95,483	0	95,483	0
National School Lunch Program	10.555	LLP1-2006 LLP4-2006 LLP1-2007 LLP4-2007	1,757 100,596 7,459 268,388		1,757 100,596 7,459 268,388	
Total National School Lunch Program			378,200	0	378,200	0
Total Child Nutrition Cluster			473,683	0	473,683	0
Total United States Department of Agriculture			473,683	45,938	473,683	45,938
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2006 C1S1-2007	64,410 560,847		95,605 564,812	
Total Title I Grants to Local Educational Agencies			625,257	0	660,417	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6BSF-2006 6BSF-2007	52,694 493,174		73,741 499,915	
Total Special Education - Grants to States			545,868	0	573,656	0
Special Education - Preschool Grants	84.173	PGS1-2006 PGS1-2007	920 9,302		1,715 8,220	
Total Special Education - Preschool Grants			10,222	0	9,935	0
Total Special Education Cluster			556,090	0	583,591	0
Vocational Education - Basic Grants to States	84.048	20C1-2006 20A0-2006 20C1-2007	9,716 8,002 49,245		6,558 18,002 45,617	
Total Vocational Education - Basic Grants to States			66,963	0	70,177	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2007	14,551		14,551	
Education for Homeless Children and Youth	84.196	HCS1-2006 HCS1-2007	11,285 24,004		12,732 23,500	
Total Education for Homeless Children and Youth			35,289	0	36,232	0
Twenty-First Century Community Learning Centers	84.287	T1S1-2006 T1S1-2007	153,403 396,077		59,599 413,264	
Total Twenty-First Century Community Learning Centers			549,480	0	472,863	0
State Grants for Innovative Programs	84.298	C2S1-2006 C2S1-2007	(1,177) 5,955		(400) 5,249	
Total State Grants for Innovative Programs			4,778	0	4,849	0
Education Technology State Grants	84.318	TJS1-2006 TJS1-2007	(1,249) 12,491		607 12,491	
Total Education Technology State Grants			11,242	0	13,098	0
Improving Teacher Quality State Grants	84.367	TRS1-2006 TRS1-2007	48,130 145,014		35,125 136,959	
Total Improving Teacher Quality State Grants			193,144	0	172,084	0
<i>Passed through South Eastern Ohio Special Education Center (SEO-SERRC):</i>						
Special Education - State Personnel Development	84.323	135145-ST1-2006 135145-ST1-2007	10,000 10,000		10,000 10,000	
Total Special Education - State Personnel Development			20,000	0	20,000	0
Total United States Department of Education			2,076,794	0	2,047,862	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families: School Readiness Enrichment Program	93.558	N/A	32,045		38,034	
Total United States Department of Health and Human Services			32,045	0	38,034	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 2,582,522</b>	<b>\$ 45,938</b>	<b>\$ 2,559,579</b>	<b>\$ 45,938</b>

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

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS AND REFUNDS**

During fiscal year 2007, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers is as follows:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Pass- Through Entity Number</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.298	State Grants for Innovative Programs	C2S1-2006	\$ 1,177	
84.298	State Grants for Innovative Programs	C2S1-2007		\$ 1,177
84.318	Education Technology State Grants	TJS1-2006	1,249	
84.318	Education Technology State Grants	TJS1-2007		1,249
		Totals	<u>\$ 2,426</u>	<u>\$ 2,426</u>



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Morgan Local School District  
Morgan County  
P.O. Box 509  
McConnelsville, Ohio 43756

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan Local School District, Morgan County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the School District's management in a separate letter dated January 25, 2008.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated January 25, 2008.

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

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

**Mary Taylor, CPA**  
Auditor of State

January 25, 2008



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Morgan Local School District  
Morgan County  
P.O. Box 509  
McConnelsville, Ohio 43756

To the Board of Education:

#### Compliance

We have audited the compliance of the Morgan Local School District, Morgan County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

January 25, 2008

**MORGAN LOCAL SCHOOL DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None







**Mary Taylor, CPA**  
Auditor of State

**MORGAN LOCAL SCHOOL DISTRICT**

**MORGAN 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  
FEBRUARY 15, 2008**