



Mary Taylor, CPA
Auditor of State

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 21, 2008

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

The discussion and analysis of the West Muskingum Local 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 \$321,322.
- Capital assets increased \$1,558,398 due to the School District's completion of the renovations and an addition to the existing middle school building.
- General revenues accounted for \$14,268,724 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, and grants, contributions, and interest accounted for \$3,769,579, 21 percent of total revenues of \$18,038,303.
- Total assets of governmental activities decreased \$123,740 primarily due to decrease in investments.
- The School District had \$17,716,981 in expenses related to governmental activities; only \$3,769,579 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$14,268,724 were adequate to provide for these activities.

Using this Annual Financial Report

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

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

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

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 I provides a summary of the School District's net assets for 2007 compared to 2006.

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>Restated 2006</u>	<u>Change</u>
Assets			
Current and Other Assets	\$13,994,551	\$15,676,689	(\$1,682,138)
Capital Assets	26,379,653	24,821,255	1,558,398
Total Assets	<u>40,374,204</u>	<u>40,497,944</u>	<u>(123,740)</u>
Liabilities			
Long-Term Liabilities	25,120,544	25,664,880	(544,336)
Other Liabilities	6,410,544	6,311,270	99,274
Total Liabilities	<u>31,531,088</u>	<u>31,976,150</u>	<u>(445,062)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	3,360,118	3,815,409	(455,291)
Restricted	2,339,750	1,951,301	388,449
Unrestricted	3,143,248	2,755,084	388,164
Total Net Assets	<u>\$8,843,116</u>	<u>\$8,521,794</u>	<u>\$321,322</u>

Total assets decreased \$123,740. The majority of the decrease is primarily due to a decrease in investments in the amount of \$1,836,161 due to \$2,033,753 in capital outlay expenditures for the Classroom Facilities ELPP Program during fiscal year 2007. The decrease is offset by an increase in capital assets due to the School District's Classroom Facilities Project. During fiscal year 2007, the School District completed the renovations and the addition to the middle school building.

Total liabilities decreased \$445,062. The decrease in liabilities is primarily due a decrease in accounts payable in the amount of \$87,581, a decrease in contracts payable in the amount of \$285,519, and a decrease in retainage payable in the amount of \$62,411. The decrease in current liabilities is due to the School District completing the renovations and the addition to the existing middle school building. During fiscal year 2007, the School District made a \$445,000 principal payment on the School Facilities Construction and Improvement Bonds and an \$87,945 principal payment on the outstanding capital leases.

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

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

Table 2
Changes in Net Assets

	Governmental Activities		
	2007	Restated 2006	Change
Revenues			
Program Revenues			
Charges for Services	\$1,365,122	\$1,217,740	\$147,382
Operating Grants, Contributions and Interest	2,293,132	1,942,786	350,346
Capital Grants and Contributions	111,325	25,297	86,028
	<u>3,769,579</u>	<u>3,185,823</u>	<u>583,756</u>
General Revenue			
Property Taxes	7,399,462	6,800,935	598,527
Gain on Sale of Capital Asset	4,631	0	4,631
Payment in Lieu of Taxes	171,947	56,020	115,927
Grants and Entitlements	6,206,058	6,021,323	184,735
Investment Earnings	336,233	503,734	(167,501)
Miscellaneous Revenue	150,393	133,108	17,285
	<u>14,268,724</u>	<u>13,515,120</u>	<u>753,604</u>
Total Revenues	<u>18,038,303</u>	<u>16,700,943</u>	<u>1,337,360</u>
Program Expenses			
Instruction			
Regular	7,359,819	6,725,988	633,831
Special	1,758,354	1,814,138	(55,784)
Vocational	321,276	315,403	5,873
Support Services			
Pupils	296,570	272,480	24,090
Instructional Staff	1,009,573	1,081,744	(72,171)
Board of Education	18,163	14,614	3,549
Administration	1,489,955	1,454,538	35,417
Fiscal	377,884	355,537	22,347
Operation and Maintenance of Plant	1,910,353	1,160,231	750,122
Pupil Transportation	931,487	854,050	77,437
Central	77,490	74,349	3,141
Operation of Non-Instructional Services			
Food Service Operations	722,391	624,927	97,464
Other	36,677	22,371	14,306
Extracurricular Activities	298,610	268,168	30,442
Interest and Fiscal Charges	1,108,379	1,146,963	(38,584)
Total Expenses	<u>17,716,981</u>	<u>16,185,501</u>	<u>1,531,480</u>
<i>Change in Net Assets</i>	321,322	515,442	(194,120)
Net Assets Beginning of Year (Restated)	8,521,794	8,006,352	515,442
Net Assets End of Year	<u>\$8,843,116</u>	<u>\$8,521,794</u>	<u>\$321,322</u>

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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The District's net assets increased \$321,322. The majority of this increase was due to an increase in property tax revenue and operating grants, contributions, and interest. During fiscal year 2007, property tax revenue increased due to an increase in the amount available as an advance in the amount of \$332,194. In addition, Muskingum County had a re-appraisal during tax year 2006, collection year 2007. Operating grants, contributions, and interest increased due to an increase in intergovernmental receivables in the amount of \$423,168.

During fiscal year 2007, the increase in charges for services is due to an increase in open enrollment. During fiscal year 2006, the District accepted 106 open enrollment students. During fiscal year 2007, this number increased to 126 open enrollment students.

The increase in regular instruction expenses is primarily due to the School District negotiating a 1.9 percent base increase on top of incremental step increases. During fiscal year 2007, insurance costs did not increase. In addition during fiscal year 2007, materials and supplies decreased eight percent. This decrease is primarily in the area of textbooks, workbooks, and test review materials.

The passage of House Bill 95 has had a detrimental affect on the School District. During fiscal year 2007, the School District reduced the number of paraprofessional positions and eliminated part-time teaching positions.

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

Instructional programs comprise approximately 53 percent of total governmental program expenses. Of the instructional expenses, approximately 78 percent is for regular instruction, 19 percent for special instruction, and 3 percent for vocational instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

Table 3
Governmental Activities

	2007 Total Cost of Services	2007 Net Cost of Services	Restated 2006 Total Cost of Services	Restated 2006 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,359,819	\$6,213,664	\$6,725,988	\$6,426,529
Special	1,758,354	858,826	1,814,138	445,170
Vocational	321,276	279,312	315,403	270,796
Support Services:				
Pupils	296,570	271,624	272,480	250,137
Instructional Staff	1,009,573	518,733	1,081,744	727,162
Board of Education	18,163	18,163	14,614	14,614
Administration	1,489,955	1,387,392	1,454,538	1,332,204
Fiscal	377,884	223,782	355,537	204,148
Operation and Maintenance of Plant	1,910,353	1,891,182	1,160,231	1,131,772
Pupil Transportation	931,487	862,058	854,050	842,760
Central	77,490	51,614	74,349	56,554
Operation of Non-Instructional Services				
Food Service Operations	722,391	32,132	624,927	(7,954)
Other	36,677	23,324	22,371	11,564
Extracurricular Activities	298,610	207,217	268,168	144,359
Interest and Fiscal Charges	1,108,379	1,108,379	1,146,963	1,146,963
Totals	<u>\$17,716,981</u>	<u>\$13,947,402</u>	<u>\$16,185,501</u>	<u>\$12,996,778</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 79 percent of instruction activities are supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,750,125, expenditures of \$19,653,307, and other financing sources of \$4,631.

General Fund

The fund balance of the General Fund at June 30, 2007 is \$2,462,880, reflects an increase of \$436,463. The majority of the increase is due to an increase in intergovernmental revenues in the amount of \$228,915 and tuition and fees in the amount of \$184,949. The increase in intergovernmental revenues is primarily due to an increase in the tangible personal property tax loss reimbursement in the amount of \$216,164. The increase in tuition and fees is primarily due to an increase in open enrollment in the amount of \$135,298.

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

Other Governmental Major Funds

Debt Service Fund

The fund balance of the Debt Service Fund at June 30, 2007 is \$1,484,136, an increase of \$203,020 from the prior year primarily due to an increase in property tax revenue.

Permanent Improvement Fund

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2007 is \$951,960, a decrease of \$671,644 from the prior year primarily due to a decrease in investments with fiscal agents in the amount of \$674,186. At June 30, 2007, the School District completed the construction of an addition and renovations to the existing middle school building.

Classroom Facilities ELPP Fund

The fund balance of the Classroom Facilities ELPP Capital Projects Fund at June 30, 2007 is \$795,636, a decrease of \$1,972,452 from the prior year primarily due to a decrease in investments in the amount of \$1,836,161. The decrease in investments during fiscal year 2007 is due to the completion of the renovations and the addition to the existing middle school building.

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 appropriations although none were significant.

Budget basis revenue was \$13,575,411 compared to final estimates of \$13,139,232. Of this \$436,179 difference, most was due to conservative foundation and open enrollment estimates.

The School District's ending General Fund budgetary balance was \$1,233,576.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$26,379,653 invested in land, land improvements, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

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

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

	<u>Government Activities</u>	
	<u>2007</u>	<u>Restated 2006</u>
Land and Land Improvements	\$1,789,516	\$1,216,080
Construction in Progress	0	7,327,270
Buildings and Improvements	22,767,221	14,786,653
Furniture and Equipment	1,326,295	978,202
Vehicles	496,621	513,050
Totals	<u>\$26,379,653</u>	<u>\$24,821,255</u>

During fiscal year 2007, the School District's capital assets were reappraised. In addition, the School District completed the final phases of the existing middle school building. See Note 8 for additional information regarding capital assets.

Debt

At June 30, 2007, the School District had \$22,674,431 in 2003 general obligation bonds outstanding, \$545,000 due within one year. The bonds were issued for school facilities construction and improvements. The bonds will be fully repaid by fiscal year 2031. Capital leases outstanding at June 30, 2007 were \$1,797,574 with \$73,196 due in one year. See Note 15 for more detailed information of the School District's debt.

Economic Factors

During fiscal year 2007, General Fund revenues exceeded General Fund expenditures by \$436,463. This excess is due the budget reduction plan the School District has implemented over the last four years in an attempt to balance the budget. The budget cuts and cost containment initiatives included a reduction in paraprofessionals, the elimination of an administrative position, reductions in teaching positions, eliminations of bus routes, reductions in supplemental contracts, and limits for professional development. However, in fiscal year 2006, the School District received an excellent rating on the local report card issued by the State of Ohio, but in fiscal year 2007 the School District's rating dropped to effective. This is primarily due to the lack of funds to hire teachers to maintain reasonable class sizes and the lack of funding to provide intervention services. Because the School District's state funding has remained flat over the last few years the School District has been forced to place a .75 percent earned income tax levy on the ballot in November 2007.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Tammira S. Miller, Treasurer/CFO at West Muskingum Local School District, 4880 West Pike, Zanesville, Ohio 43701. You may also E-mail the treasurer at tmiller@laca.org.

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West Muskingum Local School District, Ohio

Statement of Net Assets

June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,116,527
Accounts Receivable	65,301
Intergovernmental Receivable	560,793
Prepaid Items	44,843
Inventory Held for Resale	20,234
Accrued Interest Receivable	23,810
Materials and Supplies Inventory	9,080
Property Taxes Receivable	7,348,357
Revenue in Lieu of Taxes Receivable	29,694
Investments	543,849
Deferred Charges	232,063
Nondepreciable Capital Assets	674,756
Depreciable Capital Assets, Net	25,704,897
	<hr/>
<i>Total Assets</i>	40,374,204
Liabilities	
Matured Compensated Absences	31,140
Accounts Payable	75,707
Accrued Wages and Benefits	1,234,922
Retirement Incentive Payable	28,000
Contracts Payable	32,972
Accrued Interest Payable	85,107
Deferred Revenue	4,186,025
Intergovernmental Payable	479,506
Retainage Payable	4,647
Claims Payable	252,518
Long-Term Liabilities:	
Due Within One Year	669,192
Due In More Than One Year	24,451,352
	<hr/>
<i>Total Liabilities</i>	31,531,088
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,360,118
Restricted for:	
Capital Projects	967,358
Debt Service	1,035,298
Budget Stabilization	50,193
Title I Programs	187,513
Other Purposes	99,388
Unrestricted	3,143,248
	<hr/>
<i>Total Net Assets</i>	\$8,843,116
	<hr/> <hr/>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,359,819	\$844,781	\$261,146	\$40,228	(\$6,213,664)
Special	1,758,354	0	899,528	0	(858,826)
Vocational	321,276	0	41,964	0	(279,312)
Support Services:					
Pupils	296,570	0	24,946	0	(271,624)
Instructional Staff	1,009,573	4,531	484,966	1,343	(518,733)
Board of Education	18,163	0	0	0	(18,163)
Administration	1,489,955	57,992	44,571	0	(1,387,392)
Fiscal	377,884	0	154,102	0	(223,782)
Operation and Maintenance of Plant	1,910,353	19,171	0	0	(1,891,182)
Pupil Transportation	931,487	0	0	69,429	(862,058)
Central	77,490	0	25,876	0	(51,614)
Operation of Non-Instructional Services:					
Food Service Operations	722,391	351,365	338,894	0	(32,132)
Other Non-Instructional Services	36,677	0	13,028	325	(23,324)
Extracurricular Activities	298,610	87,282	4,111	0	(207,217)
Interest and Fiscal Charges	1,108,379	0	0	0	(1,108,379)
Totals	\$17,716,981	\$1,365,122	\$2,293,132	\$111,325	(13,947,402)

General Revenues

Property Taxes Levied for:	
General Purposes	5,863,847
Debt Service	1,535,615
Gain on Sale of Capital Asset	4,631
Payment in Lieu of Taxes	171,947
Grants and Entitlements not Restricted to Specific Programs	6,206,058
Investment Earnings	336,233
Miscellaneous	150,393
Total General Revenues	14,268,724
<i>Change in Net Assets</i>	321,322
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	8,521,794
<i>Net Assets End of Year</i>	\$8,843,116

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2007*

	General	Debt Service	Permanent Improvement	Classroom Facilitites ELPP Project	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,597,133	\$896,997	\$955,154	\$286,923	\$550,938	\$4,287,145
Accounts Receivable	63,504	0	0	0	1,797	65,301
Revenue in Lieu of Taxes Receivable	24,452	5,242	0	0	0	29,694
Interfund Receivable	115,000	0	0	0	10,350	125,350
Intergovernmental Receivable	66,530	0	0	0	494,263	560,793
Accrued Interest Receivable	23,810	0	0	0	0	23,810
Prepaid Items	44,843	0	0	0	0	44,843
Inventory Held for Resale	0	0	0	0	20,234	20,234
Materials and Supplies Inventory	6,613	0	0	0	2,467	9,080
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	50,193	0	0	0	0	50,193
Property Taxes Receivable	5,830,166	1,518,191	0	0	0	7,348,357
Investments	0	0	0	543,849	0	543,849
Total Assets	\$7,822,244	\$2,420,430	\$955,154	\$830,772	\$1,080,049	\$13,108,649
Liabilities						
Accounts Payable	\$73,426	\$0	\$0	\$711	\$1,570	\$75,707
Accrued Wages and Benefits	1,058,830	0	0	0	176,092	1,234,922
Matured Compensated Absences	31,140	0	0	0	0	31,140
Contracts Payable	0	0	2,008	30,964	0	32,972
Retainage Payable	0	0	1,186	3,461	0	4,647
Interfund Payable	10,350	0	0	0	115,000	125,350
Deferred Revenue	3,765,965	936,294	0	0	224,585	4,926,844
Intergovernmental Payable	419,653	0	0	0	59,853	479,506
Total Liabilities	5,359,364	936,294	3,194	35,136	577,100	6,911,088
Fund Balances						
Reserved for Encumbrances	357,100	0	52,866	655,918	82,811	1,148,695
Reserved for Budget Stabilization	50,193	0	0	0	0	50,193
Reserved for Property Taxes	2,112,088	581,897	0	0	0	2,693,985
Unreserved:						
Undesignated, Reported in:						
General Fund	(56,501)	0	0	0	0	(56,501)
Special Revenue Funds	0	0	0	0	249,445	249,445
Debt Service Fund	0	902,239	0	0	0	902,239
Capital Projects Funds	0	0	899,094	139,718	170,693	1,209,505
Total Fund Balances	2,462,880	1,484,136	951,960	795,636	502,949	6,197,561
Total Liabilities and Fund Balances	\$7,822,244	\$2,420,430	\$955,154	\$830,772	\$1,080,049	\$13,108,649

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
*Reconciliation of Total Governmental Funds Balances to
 Net Assets of Governmental Activities
 June 30, 2007*

Total Governmental Fund Balances	\$6,197,561
 <i>Amounts reported for governmental activities in the statement of net assets are different because of the following:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,379,653
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:	
Property Taxes Receivable	468,347
Accounts Receivable	8,927
Accrued Interest Receivable	21,941
Intergovernmental Receivable	<u>241,604</u>
	740,819
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	526,671
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.	232,063
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Bonds Payable	(22,674,431)
Accrued Interest Payable	(85,107)
Capital Leases Payable	(1,797,574)
Retirement Incentive	(28,000)
Compensated Absences	<u>(648,539)</u>
Total Long-Term Liabilities	<u>(25,233,651)</u>
 Net Assets of Governmental Activities	 <u><u>\$8,843,116</u></u>

See accompanying notes to the basic financial statements

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

	General	Debt Service	Permanent Improvement	Classroom Facilities ELPP Project	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$5,873,234	\$1,539,566	\$0	\$0	\$0	\$7,412,800
Payment in Lieu of Taxes	136,334	10,662	24,951	0	0	171,947
Intergovernmental	6,670,584	154,102	0	0	1,505,431	8,330,117
Interest	229,375	0	16,247	64,728	10,574	320,924
Tuition and Fees	835,769	0	0	0	0	835,769
Extracurricular Activities	0	0	0	0	159,074	159,074
Rentals	19,171	0	0	0	0	19,171
Charges for Services	0	0	0	0	351,365	351,365
Contributions and Donations	0	0	0	0	7,492	7,492
Miscellaneous	141,466	0	0	0	0	141,466
Total Revenues	13,905,933	1,704,330	41,198	64,728	2,033,936	17,750,125
Expenditures						
Current:						
Instruction:						
Regular	6,464,088	0	0	0	304,933	6,769,021
Special	1,267,277	0	0	0	434,096	1,701,373
Vocational	287,953	0	0	0	4,002	291,955
Support Services:						
Pupils	257,628	0	0	0	22,437	280,065
Instructional Staff	533,355	0	0	0	393,064	926,419
Board of Education	18,163	0	0	0	0	18,163
Administration	1,331,361	0	0	0	76,180	1,407,541
Fiscal	339,485	30,574	0	3,427	0	373,486
Operation and Maintenance of Plant	1,566,028	0	0	0	0	1,566,028
Pupil Transportation	900,542	0	0	0	0	900,542
Central	57,506	0	0	0	19,984	77,490
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	604,431	604,431
Other Non-Instructional Services	26,718	0	0	0	9,959	36,677
Extracurricular Activities	169,987	0	0	0	98,586	268,573
Capital Outlay	2,500	0	747,842	2,033,753	0	2,784,095
Debt Service:						
Principal Retirement	87,945	445,000	0	0	0	532,945
Interest and Fiscal Charges	88,767	1,025,736	0	0	0	1,114,503
Total Expenditures	13,399,303	1,501,310	747,842	2,037,180	1,967,672	19,653,307
Excess of Revenues Over (Under) Expenditures:	506,630	203,020	(706,644)	(1,972,452)	66,264	(1,903,182)
Other Financing Sources (Use)						
Proceeds from Sale of Capital Assets	4,631	0	0	0	0	4,631
Transfers In	0	0	35,000	0	39,798	74,798
Transfers Out	(74,798)	0	0	0	0	(74,798)
Total Other Financing Sources (Use)	(70,167)	0	35,000	0	39,798	4,631
Net Change in Fund Balances	436,463	203,020	(671,644)	(1,972,452)	106,062	(1,898,551)
Fund Balances Beginning of Year	2,026,417	1,281,116	1,623,604	2,768,088	396,887	8,096,112
Fund Balances End of Year	\$2,462,880	\$1,484,136	\$951,960	\$795,636	\$502,949	\$6,197,561

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds (\$1,898,551)

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

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

Capital Assets Additions	2,568,809	
Capital Contributions	22,500	
Current Year Depreciation	<u>(1,032,911)</u>	1,558,398

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

Proceeds from Sale of Capital Assets	(4,631)	
Gain on the Sale of Capital Assets	<u>4,631</u>	0

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

Property Taxes	(13,338)	
Accounts Receivable	8,927	
Intergovernmental	240,056	
Tuition and Fees	(257)	
Interest	<u>(9,913)</u>	225,475

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

Retirement Incentive Payable	(28,000)	
Compensated Absences	<u>(3,796)</u>	(31,796)

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

Discount Amortization	(3,412)	
Premium Amortization	18,599	
Issuance Costs Amortization	(9,805)	
Accrued Interest Payable	<u>742</u>	6,124

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 532,945

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net loss of the internal service fund is reported with governmental activities. (71,273)

Change in Net Assets of Governmental Activities \$321,322

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	5,420,824	\$5,420,824	\$5,594,553	\$173,729
Payment in Lieu of Taxes	0	0	166,682	166,682
Intergovernmental	0	0	6,624,657	6,624,657
Interest	0	0	237,877	237,877
Tuition and Fees	7,718,408	7,718,408	833,652	(6,884,756)
Rent	0	0	19,451	19,451
Miscellaneous	0	0	98,539	98,539
<i>Total Revenues</i>	13,139,232	13,139,232	13,575,411	436,179
Expenditures				
Current:				
Instruction:				
Regular	6,438,954	6,815,970	6,512,073	303,897
Special	1,273,059	1,273,059	1,272,561	498
Vocational	274,665	274,665	326,644	(51,979)
Support Services:				
Pupils	308,355	308,356	258,710	49,646
Instructional Staff	583,844	583,844	582,536	1,308
Board of Education	15,652	15,652	18,377	(2,725)
Administration	1,297,980	1,297,980	1,380,841	(82,861)
Fiscal	322,784	322,784	351,466	(28,682)
Operation and Maintenance of Plant	1,531,712	1,531,712	1,635,645	(103,933)
Pupil Transportation	1,015,444	1,015,443	988,899	26,544
Central	87,019	87,019	57,864	29,155
Non-Instructional Services	6,000	6,000	26,674	(20,674)
Extracurricular Activities	146,728	146,728	168,479	(21,751)
Debt Service:				
Principal Retirement	37,000	37,000	37,000	0
Interest and Fiscal Charges	82,925	82,925	82,925	0
<i>Total Expenditures</i>	13,422,121	13,799,137	13,700,694	98,443
<i>Excess of Revenues Under Expenditures</i>	(282,889)	(659,905)	(125,283)	534,622
Other Financing Source (Uses)				
Proceeds from Sale of Capital Assets	0	0	4,631	4,631
Transfers Out	(10,000)	(75,000)	(74,798)	202
Advances Out	0	(100,000)	(115,000)	(15,000)
<i>Total Other Financing Source (Uses)</i>	(10,000)	(175,000)	(185,167)	(10,167)
<i>Net Change in Fund Balance</i>	(292,889)	(834,905)	(310,450)	524,455
<i>Fund Balance Beginning of Year</i>	1,217,786	1,217,786	1,217,786	0
Prior Year Encumbrances Appropriated	326,240	326,240	326,240	0
<i>Fund Balance End of Year</i>	\$1,251,137	\$709,121	\$1,233,576	\$524,455

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2007

	Self- Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$779,189
Current Liabilities	
Claims Payable	252,518
Net Assets	
Unrestricted	\$526,671

See accompanying notes to the basic financial statements

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

	Self- Insurance
Operating Revenues	
Charges for Services	\$1,598,139
Operating Expenses	
Purchased Services	341,886
Claims	1,363,098
<i>Total Operating Expenses</i>	1,704,984
<i>Operating Income</i>	(106,845)
Non-Operating Revenues	
Interest Income	35,572
<i>Change in Net Assets</i>	(71,273)
<i>Net Assets at Beginning of Year</i>	597,944
<i>Net Assets at End of Year</i>	\$526,671

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2007

	<u>Self- Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$1,598,139
Cash Payments to Suppliers for Services	(341,886)
Cash Payments for Claims	<u>(1,328,564)</u>
<i>Net Cash Used for Operating Activities</i>	(72,311)
Cash Flows from Investing Activities	
Interest on Investments	<u>35,572</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(36,739)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>815,928</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$779,189</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$106,845)
Changes in Liabilities	
Increase in Claims Payable	<u>34,534</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$72,311)</u></u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	\$62,715
Cash and Cash Equivalents in Segregated Accounts	<u>26,830</u>
<i>Total Assets</i>	<u><u>\$89,545</u></u>
Liabilities	
Due to Students	\$62,715
Intergovernmental Payable	<u>26,830</u>
<i>Total Liabilities</i>	<u><u>\$89,545</u></u>

See accompanying notes to the basic financial statements

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West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Note 1 - Description of the School District and Reporting Entity

West Muskingum Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District was formed in 1960 and operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District is the 286th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 68 classified employees, 122 certificated full-time teaching personnel, and 13 administrative employees who provide services to 1,865 students and other community members. The School District currently operates six instructional buildings and one administrative building.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The School District has no business-type activities.

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

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, Debt Service Fund, the Permanent Improvement Fund, and the Classroom Facilities ELPP Capital Projects Fund are the major funds of the School District. The following is a description of these funds:

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

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

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

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

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

C. Measurement Focus

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

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

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, revenue in lieu of taxes, interest, tuition, grants, fees, and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of a portion of the Classroom Facilities ELPP monies, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as equity in pooled cash and cash equivalents.

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposit which are reported at cost and federal agency securities and money market mutual funds which are reported at fair value based on quoted market prices and current share value.

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 \$229,375, which includes \$96,860 assigned from other School District funds.

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

F. Prepaid Items

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

G. Inventory

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

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

H. Capital Assets

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 years
Buildings and Improvements	20-40 years
Furniture and Fixtures	5-25 years
Vehicles	8 years

I. Interfund Balances

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

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set asides.

K. Compensated Absences

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

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

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Payments for interfund services provided and used are not eliminated in the preparation of the government wide financial statements.

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

N. Fund Balance Reserves

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

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

O. Net Assets

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

The government-wide statement of net assets reports \$2,339,750 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

T. Unamortized Issuance Costs/ Bond Premium and Discount

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

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

Note 3 - Restatement of Fund Balance

In fiscal year 2007, the School District underwent a reappraisal of capital assets; therefore, the governmental activities net asset balance was restated at June 30, 2006 as follows:

	<u>Governmental Activities</u>
Governmental Activities Net Assets, June 30, 2006	\$8,434,833
Capital Assets, Net	<u>86,961</u>
Adjusted Governmental Activities Net Assets, June 30, 2006	<u><u>\$8,521,794</u></u>

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 Balances - 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).

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

GAAP Basis	\$436,463
Net Adjustment for Revenue Accruals	(327,935)
Net Adjustment for Expenditure Accruals	91,605
Beginning of Fiscal Year:	
Unrecorded Cash	17,951
Prepaid Items	45,059
End of Fiscal Year:	
Unrecorded Cash	(20,799)
Prepaid Items	(44,843)
Fair Value Adjustment for Investments	261
Advances Out	(115,000)
Adjustment for Encumbrances	(393,212)
Budget Basis	<u><u>(\$310,450)</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 monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations 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 year end, \$4,855,643 of the School District's bank balance of \$5,405,643 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments: As of June 30, 2007, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Treasury Note	\$99,739	3/27/2009
Federal Home Loan Mortgage Corporation Discount Note	199,800	9/22/2006
Federal National Mortgage Association Discount Note	298,980	7/21/2006
Money Market Mutual Fund	45,069	Avg 3 Days
Total	<u>\$643,588</u>	

Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Credit Risk

The Federal Home Loan Mortgage Corporation Treasury Notes, the Federal Home Loan Mortgage Corporation Discount Notes, and the Federal National Mortgage Association Discount Notes carry a rating of AAA by Standard and Poor's. The Money Market Mutual Fund carries a rating of AAAM by Standard and Poor's. The School District's investment policy states at the time of purchase investments must be rated in the highest classification established by at least two rating services.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 15% is invested in Federal Home Loan Mortgage Corporation Treasury Notes, 31% is invested in Federal Home Loan Mortgage Corporation Discount Notes, 46% is invested in Federal National Mortgage Association Discount Notes, and 7% is invested in Money Market Mutual Funds.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 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 values 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property tax) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

The School District receives property taxes from Muskingum and Licking County. 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, tangible personal property taxes, and the late June personal property settlement 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 and the late June personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2007, was \$2,693,985. \$2,112,088 was available to the General Fund and \$581,897 was available to the Debt Service Fund.

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

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

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$231,832,650	89.71%	\$268,882,680	92.02%
Public Utility Personal	9,061,860	3.51%	9,104,550	3.12%
General Business Personal	17,519,632	6.78%	14,210,269	4.86%
Total	<u>\$258,414,142</u>	<u>100.00%</u>	<u>\$292,197,499</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$47.10	\$46.80
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Note 7 - Receivables

Receivables at June 30, 2007, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Muskingum Valley ESC Reimbursements	\$22,409
2000 CAFS Settlement	850
Outstanding CAFS Due to the School District	8,436
Career Tech Weighted Average Adjustment	8,583
Ohio Department of Job and Family Services Donation	25,000
Federal Breakfast/ Lunch Reimbursements	32,631
Ohio Department of Tax Motor Fuel Tax Refund	1,313
CORE Implementation Grant	29,422
Title VI-B Special Education Grant	204,151
Title I Grant	214,347
Title V Grant	203
Title II-A Grant	13,448
Total	<u><u>\$560,793</u></u>

Note 8 - Capital Assets

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

	<u>Restated Balance</u>			<u>Balance</u>
	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Nondepreciable Capital Assets				
Land	\$258,917	\$0	\$0	\$258,917
Land Improvements	0	415,839	0	415,839
Construction in Progress	7,327,270	2,235,805	(9,563,075)	0
Total Non-Depreciable Capital Assets	<u>7,586,187</u>	<u>2,651,644</u>	<u>(9,563,075)</u>	<u>674,756</u>
Depreciable Capital Assets				
Land Improvements	1,326,315	236,275	0	1,562,590
Building and Improvements	19,154,828	8,536,045	(32,060)	27,658,813
Furniture and Equipment	1,749,794	649,228	0	2,399,022
Vehicles	1,538,111	81,192	(160,392)	1,458,911
Total at Historical Cost	<u>23,769,048</u>	<u>9,502,740</u>	<u>(192,452)</u>	<u>33,079,336</u>
Less Accumulated Depreciation				
Land Improvements	(369,152)	(78,678)	0	(447,830)
Buildings and Improvements	(4,368,175)	(555,477)	32,060	(4,891,592)
Furniture and Equipment	(771,592)	(301,135)	0	(1,072,727)
Vehicles	(1,025,061)	(97,621)	160,392	(962,290)
Total Accumulated Depreciation	<u>(6,533,980)</u>	<u>(1,032,911) *</u>	<u>192,452</u>	<u>(7,374,439)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>17,235,068</u>	<u>8,469,829</u>	<u>0</u>	<u>25,704,897</u>
Governmental Activities Capital Assets, Net	<u>\$24,821,255</u>	<u>\$11,121,473</u>	<u>(\$9,563,075)</u>	<u>\$26,379,653</u>

During fiscal year 2007, the Coalition of Rural and Appalachian Schools contributed \$22,500 in equipment. This amount is reflected within Capital Grants and Contributions on the Statement of Activities.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$494,417
Special	61,871
Vocational	24,929
Support Services:	
Pupils	15,634
Instructional Staff	74,332
Administration	75,325
Operation of Maintenance and Plant	53,911
Pupil Transportation	93,808
Extracurricular	30,037
Food Service Operations	<u>108,647</u>
 Total Depreciation Expense	 <u><u>\$1,032,911</u></u>

Note 9 – Interfund Activity

During fiscal year 2007, the School District advanced \$115,000 from the General Fund. \$100,000 was advanced to the Title VI-B Special Revenue Fund and \$15,000 to the Title I Special Revenue Fund for grant monies not received by fiscal year end. All advances will be repaid in fiscal year 2008.

At June 30, 2007, the General Fund owed the Food Service Special Revenue Fund \$10,350 in interest revenue.

Transfers made during fiscal year 2007 were \$74,798 from the General Fund. \$35,000 was transferred to the Permanent Improvement Capital Projects Fund for emergency repairs, \$35,000 to the Technology Capital Projects Fund to purchase computers, \$2,230 to the Food Service Special Revenue Fund for the cost of an exhaust hood in an elementary building, and \$2,568 to the Miscellaneous Local Funds for the soccer program.

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17)

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

Building and Contents-replacement cost (\$1,000 deductible)	\$37,778,652
Steam Boiler (\$1,000 deductible)	37,778,652
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 deductible)	1,000,000
Audio Visual Equipment (\$1,000)	100,000
Musical Instruments (\$1,000)	100,000
Electronic Equipment (\$25,000)	1,500,000

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Employee Theft (\$1,000)	50,000
Forgery or Alteration (\$1,000)	50,000
Automobile Liability (\$1,000 deductible)	2,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	\$1,000,000
Aggregate Per Year	3,000,000
Fire Damage	500,000
Medical Expense	10,000
Employee Benefits Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Employer's Liability	1,000,000
Errors and Omissions Injury Limit (\$2,500 deductible)	1,000,000
Aggregate Per Year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2006.

B. Worker's Compensation

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$252,518 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, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$35,000 annually.

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

Changes in the fund's claims liability amount in fiscal years 2006 and 2007 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$182,572	\$1,024,955	\$989,543	\$217,984
2007	217,984	1,363,098	1,328,564	252,518

Note 11 - Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for certified and classified employees. Upon retirement, certified employees receive payment for one-fourth of their total sick leave accumulation up to 51 days. Classified employees, upon retirement, receive payment for one-third of the total sick leave accumulation up to 49 days.

B. Insurance

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

C. Retirement Incentive

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

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

During fiscal year 2007, the School District paid \$14,000 in retirement incentives that were accrued as liabilities at June 30, 2006. At June 30, 2007 \$28,000 in retirement incentives was accrued as a liability.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. 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 \$177,225, \$176,887, and \$187,611, respectively; 46 percent has been contributed for fiscal year 2007 and 100 percent for the 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, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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 STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$811,824, \$827,366, and \$823,149 respectively; 85 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. Contributions for the DC and CP Plans for the fiscal year ended June 30, 2007, were \$4,127 made by the School District and \$19,383 made by 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, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

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

STRS Ohio retirees who participated in the DB or Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$62,448 for fiscal year 2007.

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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 as \$35,800. However, the surcharge is capped at 2 percent of each employee's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during fiscal year 2007 equaled \$85,402.

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

Note 14 - Capitalized Leases

In prior years, the School District entered into capitalized leases for copiers, fitness equipment, and to construct, renovate, improve, furnish, and equip an addition to the School District's existing middle school. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

During fiscal year 2006, the School District entered into a capital lease with the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program to construct, renovate, improve, furnish, and equip an addition to the School District's existing middle school. As part of the agreement, the Columbus Regional Airport Authority, as lessor, deposited \$1,800,000 with a fiscal agent for the purpose of renovating and constructing an addition to the existing middle school. At June 30, 2007, the School District has expended \$1,746,432 for the construction of an addition and renovations to the existing middle school building. The remainder, \$53,568 will be expended as costs are incurred for additional renovations to the building. At June 30, 2007, capital assets under this lease were capitalized in the amount of \$1,492,239 for buildings and \$254,193 for equipment. Principal payments during fiscal year 2007 totaled \$37,000. The principal amount owed on the lease at June 30, 2007 is \$1,733,000.

The copiers were originally capitalized in the amount of \$158,384. This amount represents the present value of the minimum lease payments at the time of acquisition. The accumulated depreciation on the equipment as of June 30, 2007, was \$122,866. Principal payments in fiscal year 2007 totaled \$50,945 in the governmental funds.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	OASBO Expanded Asset Pooled Financing Program	Equipment
2008	\$117,592	\$37,632
2009	117,823	31,361
2010	116,964	0
2011	117,059	0
2012	117,063	0
2013-2017	586,940	0
2018-2022	586,228	0
2023-2027	586,280	0
2028-2032	585,971	0
Total Minimum Lease Payments	2,931,920	68,993
Less: Amount Representing Interest	(1,198,920)	(4,419)
Present Value of Minimum Lease Payments	<u>\$1,733,000</u>	<u>\$64,574</u>

Note 15 - Long Term Obligations

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

	Principal Outstanding 6/30/2006	Additions	Reductions	Principal Outstanding 6/30/2007	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
School Facilities Construction and Improvements					
Serial Bonds - \$4,735,000 - 2.00% - 3.60%	\$3,545,000	\$0	\$445,000	\$3,100,000	\$545,000
Term Bonds - \$19,215,000 - 4.00% - 5.00%	19,215,000	0	0	19,215,000	0
Serial/Term Bonds Bond Premium	458,768	0	18,599	440,169	0
Serial/Term Bond Discount	(84,150)	0	(3,412)	(80,738)	0
Total General Obligation Bonds	<u>23,134,618</u>	<u>0</u>	<u>460,187</u>	<u>22,674,431</u>	<u>545,000</u>
Capital Leases	1,885,519	0	87,945	1,797,574	73,196
Compensated Absences Payable	644,743	69,249	65,453	648,539	50,996
Total Governmental Activities					
Long-Term Liabilities	<u>\$25,664,880</u>	<u>\$69,249</u>	<u>\$613,585</u>	<u>\$25,120,544</u>	<u>\$669,192</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

On March 10, 2003, the School District issued \$23,950,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amounts of \$4,735,000 and \$19,215,000, respectively. The bonds will be retired from the Debt Service Fund. The serial and a portion of the term bonds were sold at a premium of \$520,765, with a portion of the term bonds being sold at a discount of \$95,523. Issuance costs associated with the bond issue were \$274,552 and are deferred. The fiscal year 2007, issuance costs of \$9,805 were amortized. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030. In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new buildings. The School District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every five years for the term of the bonds.

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

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

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

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

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

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

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

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$545,000	\$1,015,155	\$1,560,155
2009	585,000	1,001,346	1,586,346
2010	350,000	985,793	1,335,793
2011	390,000	969,143	1,359,143
2012	430,000	952,843	1,382,843
2013-2017	2,800,000	4,487,481	7,287,481
2018-2022	4,195,000	3,740,950	7,935,950
2023-2027	6,195,000	2,471,038	8,666,038
2028-2031	6,825,000	713,375	7,538,375
Totals	<u>\$22,315,000</u>	<u>\$16,337,124</u>	<u>\$38,652,124</u>

Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund and food service fund.

The School District's overall legal debt margin at June 30, 2007, was \$12,036,830, with an unvoted debt margin of \$371,662. The School District was approved as a special needs district by the Ohio Department of Education. This approval was granted based on projected tax valuation growth figures submitted by the School District to the Ohio Department of Education which is used to calculate the legal debt margin. At June 30, 2007, the School District had \$726,670 in unspent bond proceeds.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Note 16- Jointly Governed Organizations

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2007 were \$104,328. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

B. Mid-East Career and Technology Center

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

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of 166 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2007, the School District made a payment of \$699 to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Denise Canfield, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 134 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2006, the School District paid an additional \$300 for 2007 membership fees. During fiscal year 2007, the School District made no contributions to the Coalition.

E. East Central Ohio Special Education Regional Resource Center

The School District participates in the East Central Ohio Special Education Regional Resource Center (ECO SERRC), a jointly governed organization. The organization selects its own board, adopts its own budget, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in east central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2007, the School District made a payment of \$95 to the Tuscarawas-Carroll-Harrison Educational Service Center for ECO SERRC services. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Education Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

Note 17 - Insurance Purchasing Pools

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

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

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Note 18 - Contingencies

A. Grants

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

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$6,400 per year. A portion of the refund may be recovered from additional State entitlement payments.

Note 19 - Set Asides

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

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	(\$264,615)	\$0	\$50,193
Current Year Set-aside Requirement	286,815	286,815	0
Current Year Offsets	0	(1,749,745)	0
Qualifying Disbursements	<u>(197,787)</u>	<u>(110,933)</u>	<u>0</u>
Total	<u><u>(\$175,587)</u></u>	<u><u>(\$1,573,863)</u></u>	<u><u>\$50,193</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>(\$175,587)</u></u>	<u><u>\$0</u></u>	<u><u>\$50,193</u></u>

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

Note 20 -Contractual Obligations

As of June 30, 2007, the School District had contractual purchase commitments for several projects. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 06/30/2007</u>	<u>Amounts Remaining on Contracts</u>
Firestone Jaros Mullin, Inc.	Classroom Facilities ELPP Project	\$503,451	\$498,417	\$5,034
Project Construction Services, Inc.	Classroom Facilities ELPP Project	1,365,016	1,361,709	3,307
Sun Technologies, Inc.	Classroom Facilities ELPP Project	148,050	146,936	1,114
Sun Technologies, Inc.	Classroom Facilities ELPP Project	99,544	98,155	1,389
Brysko Foodservice	Permanent Improvement Fund	224,547	223,361	1,186
Total		<u><u>\$2,340,608</u></u>	<u><u>\$2,328,578</u></u>	<u><u>\$12,030</u></u>

Note 21 – Accountability and Compliance

A. Fund Deficit

The Title I Special Revenue Fund had a deficit fund balance at June 30, 2007 in the amount of \$1,635.

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

Note 22 – Subsequent Event

On November 6, 2007, a .75 percent earned income tax levy for current operating expenses, failed. In March 2008, the School District plans on putting another levy on the ballot.

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**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> <u>Program Title</u>	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	10.550	N/A	\$	\$ 50,247	\$	\$ 50,247
Nutrition Cluster:						
School Breakfast Program	10.553	048884-05PU-2006 048884-05PU-2007	5,899 <u>29,878</u>		5,899 <u>29,878</u>	
Total School Breakfast Program			35,777	0	35,777	0
National School Lunch Program	10.555	048884-LLP4-2006 048884-LLP1-2007 048884-LLP4-2007	31,700 2,298 <u>152,339</u>		31,700 2,298 <u>152,339</u>	
Total National School Lunch Program			186,337	0	186,337	0
National Summer Food Program	10.559	048884-24PU-2006	<u>2,456</u>		<u>2,456</u>	
Total - Nutrition Cluster			<u>224,570</u>	0	<u>224,570</u>	0
Total - United States Department of Agriculture			224,570	50,247	224,570	50,247
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Partners in Character Education and Passed Through Ohio Department of Education:</i>						
Fund for the Improvement of Education	84.215S	048884	45,000	0	24,746	0
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	048884-C1S1-2006 048884-C1S1-2007	71,420 <u>338,552</u>		87,835 <u>300,728</u>	
Total Title I Grants to Local Educational Agencies			409,972	0	388,563	0
Special Education Grants to States	84.027	048884-6BPB-2006 048884-6BSD-2005 048884-6BSF-2006 048884-6BSF-2007	(639) 0 52,779 <u>320,946</u>		0 429 61,598 <u>390,870</u>	
Total Special Education Grants to States			373,086	0	452,897	0
Safe and Drug-Free Schools and Communities: State Grants	84.186	048884-DRS1-2007	11,267		11,267	
State Grants for Innovative Programs	84.298	048884-C2S1-2006 048884-C2S1-2007	(670) <u>8,013</u>		0 <u>7,633</u>	
Total State Grants for Innovative Programs			7,343	0	7,633	0
Education Technology State Grants	84.318	048884-TJS1-2006 048884-TJS1-2007	(89) <u>6,611</u>		550 <u>6,141</u>	
Total Education Technology State Grants			6,522	0	6,691	0
Improving Teacher Quality	84.367	048884-TRS1-2007	<u>101,859</u>		<u>97,578</u>	
Total United States Department of Education			<u>955,049</u>	0	<u>989,375</u>	0
Total Federal Awards Receipts and Expenditures			<u>\$ 1,179,619</u>	<u>\$ 50,247</u>	<u>\$ 1,213,945</u>	<u>\$ 50,247</u>

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

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS DUE TO CARRYOVER

During fiscal year 2007, the School District had grant carryover funding that was transferred from the program year 2006 grant to the program year 2007 grant. The following table summarizes the carryover funding between program years.

	CFDA No. 84.027	CFDA No. 84.027	CFDA No. 84.298	CFDA No. 84.318
Grant Funds Received	\$0	\$59,505	\$0	\$0
Grant Carryover Amount	(\$639)	(\$6,726)	(\$670)	(\$89)
Amounts Per Schedule	(\$639)	\$52,779	(\$670)	(\$89)



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 21, 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 opinions on the basic financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

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

We noted a certain matter that we reported to the School District's management in a separate letter dated February 21, 2008.

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www.auditor.state.oh.us

Compliance and Other Matters

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

We did note a certain noncompliance matter that we reported to the School District's management in a separate letter dated February 21, 2008.

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

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

Mary Taylor, CPA
Auditor of State

February 21, 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

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

To the Board of Education:

Compliance

We have audited the compliance of West Muskingum Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 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 each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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

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

February 21, 2008

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

WEST MUSKINGUM LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2008**