



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Members of the Board:

We have audited the accompanying general purpose financial statements of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the West Muskingum Local School District, Muskingum County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types 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 a report dated December 11, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 11, 2001

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West Muskingum Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|-----------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>Assets and Other Debits:</u> | | | | |
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,998,727 | \$263,915 | \$1,817 | \$665,572 |
| <u>Receivables:</u> | | | | |
| Property and Other Taxes | 5,391,572 | 0 | 0 | 0 |
| Intergovernmental | 40,441 | 62,074 | 0 | 0 |
| Accrued Interest | 106,333 | 0 | 0 | 0 |
| Interfund | 33,000 | 0 | 0 | 0 |
| Prepaid Items | 4,025 | 0 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 | 0 |
| Materials and Supplies Inventory | 5,791 | 0 | 0 | 0 |
| <u>Restricted Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | 235,256 | 0 | 0 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 |
| <u>Other Debits:</u> | | | | |
| Amount Available in Debt Service Fund for Retirement of Debt | 0 | 0 | 0 | 0 |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$7,815,145 | \$325,989 | \$1,817 | \$665,572 |

| <u>Proprietary Fund Types</u> | | <u>Fiduciary Fund Types</u> | <u>Account Groups</u> | | <u>Totals (Memorandum Only)</u> |
|-------------------------------|-----------------------------|---------------------------------|-------------------------------------|--|---|
| <u>Enterprise</u> | <u>Internal Service</u> | <u>Trust and Agency</u> | <u>General Fixed Assets</u> | <u>General Long-Term Obligations</u> | |
| \$146,973 | \$448,668 | \$63,145 | \$0 | \$0 | \$3,588,817 |
| 0 | 0 | 0 | 0 | 0 | 5,391,572 |
| 0 | 0 | 0 | 0 | 0 | 102,515 |
| 0 | 0 | 0 | 0 | 0 | 106,333 |
| 0 | 0 | 0 | 0 | 0 | 33,000 |
| 0 | 0 | 0 | 0 | 0 | 4,025 |
| 13,005 | 0 | 0 | 0 | 0 | 13,005 |
| 1,344 | 0 | 0 | 0 | 0 | 7,135 |
| 0 | 0 | 0 | 0 | 0 | 235,256 |
| 75,770 | 0 | 0 | 8,406,937 | 0 | 8,482,707 |
| 0 | 0 | 0 | 0 | 1,817 | 1,817 |
| 0 | 0 | 0 | 0 | 962,093 | 962,093 |
| <u>\$237,092</u> | <u>\$448,668</u> | <u>\$63,145</u> | <u>\$8,406,937</u> | <u>\$963,910</u> | <u>\$18,928,275</u> |

(continued)

West Muskingum Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2001

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|-----------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>Liabilities, Fund Equity and Other Credits:</u> | | | | |
| <u>Liabilities:</u> | | | | |
| Accounts Payable | \$70,445 | \$16,711 | \$0 | \$0 |
| Accrued Wages and and Benefits Payable | 882,859 | 71,141 | 0 | 0 |
| Compensated Absences Payable | 23,014 | 0 | 0 | 0 |
| Interfund Payable | 0 | 0 | 0 | 0 |
| Intergovernmental Payable | 157,705 | 9,629 | 0 | 8 |
| Deferred Revenue | 3,637,984 | 42,918 | 0 | 0 |
| Due to Students | 0 | 0 | 0 | 0 |
| Accrued Interest Payable | 214 | 0 | 0 | 0 |
| Capital Leases Payable | 0 | 0 | 0 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 |
| Retirement Incentive Payable | 14,000 | 0 | 0 | 0 |
| Energy Conservation Loan Payable | 84,000 | 0 | 0 | 0 |
| Total Liabilities | 4,870,221 | 140,399 | 0 | 8 |
| <u>Fund Equity and Other Credits:</u> | | | | |
| Investment in | | | | |
| General Fixed Assets | 0 | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 216,127 | 47,916 | 0 | 70 |
| Reserved for Inventory | 5,791 | 0 | 0 | 0 |
| Reserved for Property Taxes | 1,770,294 | 0 | 0 | 0 |
| Reserved for Budget Stabilization | 50,193 | 0 | 0 | 0 |
| Reserved for Bus Purchases | 185,063 | 0 | 0 | 0 |
| Unreserved, Undesignated | 717,456 | 137,674 | 1,817 | 665,494 |
| Total Fund Equity and Other Credits | 2,944,924 | 185,590 | 1,817 | 665,564 |
| Total Liabilities, Fund Equity and Other Credits | \$7,815,145 | \$325,989 | \$1,817 | \$665,572 |

See accompanying notes to the general purpose financial statements

| <u>Proprietary Fund Types</u> | | <u>Fiduciary Fund Types</u> | <u>Account Groups</u> | | <u>Totals (Memorandum Only)</u> |
|-------------------------------|-----------------------------|---------------------------------|-------------------------------------|--|---|
| <u>Enterprise</u> | <u>Internal Service</u> | <u>Trust and Agency</u> | <u>General Fixed Assets</u> | <u>General Long-Term Obligations</u> | |
| \$9,124 | \$0 | \$0 | \$0 | \$0 | \$96,280 |
| 34,305 | 0 | 0 | 0 | 0 | 988,305 |
| 9,697 | 0 | 0 | 0 | 704,915 | 737,626 |
| 33,000 | 0 | 0 | 0 | 0 | 33,000 |
| 19,763 | 0 | 0 | 0 | 75,497 | 262,602 |
| 11,165 | 0 | 0 | 0 | 0 | 3,692,067 |
| 0 | 0 | 61,160 | 0 | 0 | 61,160 |
| 0 | 0 | 0 | 0 | 0 | 214 |
| 0 | 0 | 0 | 0 | 183,498 | 183,498 |
| 0 | 128,070 | 0 | 0 | 0 | 128,070 |
| 0 | 0 | 0 | 0 | 0 | 14,000 |
| 0 | 0 | 0 | 0 | 0 | 84,000 |
| <u>117,054</u> | <u>128,070</u> | <u>61,160</u> | <u>0</u> | <u>963,910</u> | <u>6,280,822</u> |
| 0 | 0 | 0 | 8,406,937 | 0 | 8,406,937 |
| 7,646 | 0 | 0 | 0 | 0 | 7,646 |
| 112,392 | 320,598 | 0 | 0 | 0 | 432,990 |
| 0 | 0 | 0 | 0 | 0 | 264,113 |
| 0 | 0 | 0 | 0 | 0 | 5,791 |
| 0 | 0 | 0 | 0 | 0 | 1,770,294 |
| 0 | 0 | 0 | 0 | 0 | 50,193 |
| 0 | 0 | 0 | 0 | 0 | 185,063 |
| 0 | 0 | 1,985 | 0 | 0 | 1,524,426 |
| <u>120,038</u> | <u>320,598</u> | <u>1,985</u> | <u>8,406,937</u> | <u>0</u> | <u>12,647,453</u> |
| <u>\$237,092</u> | <u>\$448,668</u> | <u>\$63,145</u> | <u>\$8,406,937</u> | <u>\$963,910</u> | <u>\$18,928,275</u> |

West Muskingum Local School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2001

| | Governmental | | Fund Types | |
|--|--------------------|--------------------|-----------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Revenues: | | | | |
| Property and Other Taxes | \$5,202,269 | \$0 | \$0 | \$0 |
| Intergovernmental | 4,827,684 | 663,454 | 0 | 119,577 |
| Interest | 226,694 | 0 | 0 | 0 |
| Tuition and Fees | 21,723 | 0 | 0 | 0 |
| Rent | 1,720 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 139,400 | 0 | 0 |
| Gifts and Donations | 0 | 0 | 0 | 0 |
| Miscellaneous | 66,149 | 5,750 | 0 | 0 |
| Total Revenues | 10,346,239 | 808,604 | 0 | 119,577 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,528,976 | 115,522 | 0 | 0 |
| Special | 972,300 | 261,351 | 0 | 0 |
| Vocational | 285,867 | 0 | 0 | 0 |
| Support Services: | | | | |
| Pupils | 206,873 | 7,769 | 0 | 0 |
| Instructional Staff | 302,159 | 329,056 | 0 | 0 |
| Board of Education | 14,456 | 0 | 0 | 0 |
| Administration | 959,928 | 55,763 | 0 | 0 |
| Fiscal | 225,891 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 946,414 | 78 | 0 | 0 |
| Pupil Transportation | 714,409 | 0 | 0 | 0 |
| Central | 27,501 | 15,000 | 0 | 0 |
| Non-Instructional Services | 0 | 4,194 | 0 | 0 |
| Extracurricular Activities | 137,533 | 74,255 | 0 | 0 |
| Capital Outlay | 560 | 0 | 0 | 137,414 |
| Debt Service: | | | | |
| Principal | 134,533 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 20,105 | 0 | 0 | 0 |
| Total Expenditures | 9,477,505 | 862,988 | 0 | 137,414 |
| Excess of Revenues Over (Under) Expenditures | 868,734 | (54,384) | 0 | (17,837) |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Fixed Assets | 800 | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 | 340,000 |
| Operating Transfers Out | (342,509) | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | (341,709) | 0 | 0 | 340,000 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 527,025 | (54,384) | 0 | 322,163 |
| Fund Balances at Beginning of Year, (Restated, Note 3) | 2,419,082 | 239,974 | 1,817 | 343,401 |
| Decrease in Reserve for Inventory | (1,183) | 0 | 0 | 0 |
| Fund Balances at End of Year | \$2,944,924 | \$185,590 | \$1,817 | \$665,564 |

See accompanying notes to the general purpose financial statements

| <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--------------------------------|---|
| <u>Expendable Trust</u> | |
| \$0 | \$5,202,269 |
| 0 | 5,610,715 |
| 227 | 226,921 |
| 0 | 21,723 |
| 0 | 1,720 |
| 0 | 139,400 |
| 2,000 | 2,000 |
| <u>0</u> | <u>71,899</u> |
| <u>2,227</u> | <u>11,276,647</u> |
| 1,500 | 4,645,998 |
| 0 | 1,233,651 |
| 0 | 285,867 |
| 0 | 214,642 |
| 0 | 631,215 |
| 0 | 14,456 |
| 0 | 1,015,691 |
| 0 | 225,891 |
| 0 | 946,492 |
| 0 | 714,409 |
| 0 | 42,501 |
| 0 | 4,194 |
| 0 | 211,788 |
| 0 | 137,974 |
| 0 | 134,533 |
| <u>0</u> | <u>20,105</u> |
| <u>1,500</u> | <u>10,479,407</u> |
| <u>727</u> | <u>797,240</u> |
| 0 | 800 |
| 0 | 340,000 |
| <u>0</u> | <u>(342,509)</u> |
| <u>0</u> | <u>(1,709)</u> |
| 727 | 795,531 |
| 1,258 | 3,005,532 |
| <u>0</u> | <u>(1,183)</u> |
| <u>\$1,985</u> | <u>\$3,799,880</u> |

West Muskingum Local School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2001

| | General Fund | | |
|--|--------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Property and Other Taxes | \$4,658,261 | \$4,854,559 | \$196,298 |
| Intergovernmental | 4,650,764 | 4,812,649 | 161,885 |
| Interest | 161,728 | 161,309 | (419) |
| Tuition and Fees | 35,782 | 21,723 | (14,059) |
| Rent | 2,148 | 1,720 | (428) |
| Extracurricular Activities | 0 | 0 | 0 |
| Gifts and Donations | 0 | 0 | 0 |
| Miscellaneous | 4,086 | 12,620 | 8,534 |
| Total Revenues | 9,512,769 | 9,864,580 | 351,811 |
| <u>Expenditures:</u> | | | |
| <u>Current:</u> | | | |
| <u>Instruction:</u> | | | |
| Regular | 4,765,084 | 4,620,489 | 144,595 |
| Special | 703,176 | 1,016,441 | (313,265) |
| Vocational | 277,881 | 287,835 | (9,954) |
| <u>Support Services:</u> | | | |
| Pupils | 200,872 | 211,903 | (11,031) |
| Instructional Staff | 633,628 | 317,791 | 315,837 |
| Board of Education | 18,529 | 15,231 | 3,298 |
| Administration | 963,438 | 980,905 | (17,467) |
| Fiscal | 228,009 | 226,629 | 1,380 |
| Operation and Maintenance of Plant | 1,061,079 | 1,016,072 | 45,007 |
| Pupil Transportation | 951,322 | 927,220 | 24,102 |
| Central | 38,400 | 27,737 | 10,663 |
| Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 119,770 | 137,824 | (18,054) |
| Capital Outlay | 5,000 | 560 | 4,440 |
| <u>Debt Service:</u> | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| Total Expenditures | 9,966,188 | 9,786,637 | 179,551 |
| Excess of Revenues Over (Under) Expenditures | (453,419) | 77,943 | 531,362 |
| <u>Other Financing Sources (Uses):</u> | | | |
| Proceeds from Sale of Fixed Assets | 2,000 | 800 | (1,200) |
| Refund of Prior Year Expenditures | 5,000 | 26,992 | 21,992 |
| Other Financing Sources | 43,690 | 26,537 | (17,153) |
| Advances In | 2,000 | 27,000 | 25,000 |
| Advances Out | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | (345,000) | (342,509) | 2,491 |
| Total Other Financing Sources (Uses) | (292,310) | (261,180) | 31,130 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (745,729) | (183,237) | 562,492 |
| Fund Balances at Beginning of Year | 1,699,679 | 1,699,679 | 0 |
| Prior Year Encumbrances Appropriated | 387,178 | 387,178 | 0 |
| Fund Balances at End of Year | \$1,341,128 | \$1,903,620 | \$562,492 |

See accompanying notes to the general purpose financial statements

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|------------------|----------------------------------|-------------------|----------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$94,500 | \$94,500 | \$0 |
| 932,007 | 739,636 | (192,371) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 169,907 | 139,401 | (30,506) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>1,101,914</u> | <u>879,037</u> | <u>(222,877)</u> | <u>94,500</u> | <u>94,500</u> | <u>0</u> |
| 183,891 | 114,501 | 69,390 | 0 | 0 | 0 |
| 597,448 | 274,811 | 322,637 | 0 | 0 | 0 |
| 2,000 | 0 | 2,000 | 0 | 0 | 0 |
| 575 | 7,243 | (6,668) | 0 | 0 | 0 |
| 268,341 | 370,775 | (102,434) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 84,305 | 62,117 | 22,188 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 2,755 | 2,755 | 0 | 0 | 0 | 0 |
| 20,000 | 15,000 | 5,000 | 0 | 0 | 0 |
| 501 | 4,194 | (3,693) | 0 | 0 | 0 |
| 102,535 | 79,363 | 23,172 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 85,817 | 84,000 | 1,817 |
| 0 | 0 | 0 | 10,500 | 10,500 | 0 |
| <u>1,262,351</u> | <u>930,759</u> | <u>331,592</u> | <u>96,317</u> | <u>94,500</u> | <u>1,817</u> |
| <u>(160,437)</u> | <u>(51,722)</u> | <u>108,715</u> | <u>(1,817)</u> | <u>0</u> | <u>1,817</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 5,750 | 5,750 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | (25,000) | (25,000) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>0</u> | <u>(19,250)</u> | <u>(19,250)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| (160,437) | (70,972) | 89,465 | (1,817) | 0 | 1,817 |
| 173,228 | 173,228 | 0 | 1,817 | 1,817 | 0 |
| 98,419 | 98,419 | 0 | 0 | 0 | 0 |
| <u>\$111,210</u> | <u>\$200,675</u> | <u>\$89,465</u> | <u>\$0</u> | <u>\$1,817</u> | <u>\$1,817</u> |

(continued)

West Muskingum Local School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund (Continued)
 For the Fiscal Year Ended June 30, 2001

| | Capital Projects Funds | | |
|--|------------------------|-----------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Property and Other Taxes | \$0 | \$0 | \$0 |
| Intergovernmental | 281,000 | 119,577 | (161,423) |
| Interest | 0 | 0 | 0 |
| Tuition and Fees | 0 | 0 | 0 |
| Rent | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Gifts and Donations | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| | 281,000 | 119,577 | (161,423) |
| <u>Total Revenues</u> | | | |
| | 281,000 | 119,577 | (161,423) |
| <u>Expenditures:</u> | | | |
| <u>Current:</u> | | | |
| <u>Instruction:</u> | | | |
| Regular | 168,485 | 93,733 | 74,752 |
| Special | 0 | 0 | 0 |
| Vocational | 0 | 0 | 0 |
| <u>Support Services:</u> | | | |
| Pupils | 0 | 0 | 0 |
| Instructional Staff | 0 | 0 | 0 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 352,020 | 73,419 | 278,601 |
| Pupil Transportation | 0 | 0 | 0 |
| Operation of Non-Instructional Services | 6,000 | 6,000 | 0 |
| Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| <u>Debt Service:</u> | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| | 526,505 | 173,152 | 353,353 |
| <u>Total Expenditures</u> | | | |
| | 526,505 | 173,152 | 353,353 |
| <u>Excess of Revenues Over (Under) Expenditures</u> | | | |
| | (245,505) | (53,575) | 191,930 |
| <u>Other Financing Sources (Uses):</u> | | | |
| Proceeds from Sale of Fixed Assets | 0 | 0 | 0 |
| Refund of Prior Year Expenditures | 0 | 0 | 0 |
| Other Financing Sources | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 |
| Operating Transfers In | 0 | 340,000 | 340,000 |
| Operating Transfers Out | 0 | 0 | 0 |
| | 0 | 340,000 | 340,000 |
| <u>Total Other Financing Sources (Uses)</u> | | | |
| | 0 | 340,000 | 340,000 |
| <u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u> | | | |
| | (245,505) | 286,425 | 531,930 |
| <u>Fund Balances at Beginning of Year</u> | | | |
| | 304,027 | 304,027 | 0 |
| <u>Prior Year Encumbrances Appropriated</u> | | | |
| | 75,050 | 75,050 | 0 |
| <u>Fund Balances at End of Year</u> | | | |
| | \$133,572 | \$665,502 | \$531,930 |

| Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|-----------------------|----------------|----------------------------------|--------------------------|--------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$4,752,761 | \$4,949,059 | \$196,298 |
| 0 | 0 | 0 | 5,863,771 | 5,671,862 | (191,909) |
| 0 | 227 | 227 | 161,728 | 161,536 | (192) |
| 0 | 0 | 0 | 35,782 | 21,723 | (14,059) |
| 0 | 0 | 0 | 2,148 | 1,720 | (428) |
| 0 | 0 | 0 | 169,907 | 139,401 | (30,506) |
| 2,000 | 2,000 | 0 | 2,000 | 2,000 | 0 |
| 0 | 0 | 0 | 4,086 | 12,620 | 8,534 |
| <u>2,000</u> | <u>2,227</u> | <u>227</u> | <u>10,992,183</u> | <u>10,959,921</u> | <u>(32,262)</u> |
| 1,999 | 1,500 | 499 | 5,119,459 | 4,830,223 | 289,236 |
| 0 | 0 | 0 | 1,300,624 | 1,291,252 | 9,372 |
| 0 | 0 | 0 | 279,881 | 287,835 | (7,954) |
| 0 | 0 | 0 | 201,447 | 219,146 | (17,699) |
| 0 | 0 | 0 | 901,969 | 688,566 | 213,403 |
| 0 | 0 | 0 | 18,529 | 15,231 | 3,298 |
| 0 | 0 | 0 | 1,047,743 | 1,043,022 | 4,721 |
| 0 | 0 | 0 | 228,009 | 226,629 | 1,380 |
| 0 | 0 | 0 | 1,413,099 | 1,089,491 | 323,608 |
| 0 | 0 | 0 | 954,077 | 929,975 | 24,102 |
| 0 | 0 | 0 | 64,400 | 48,737 | 15,663 |
| 0 | 0 | 0 | 501 | 4,194 | (3,693) |
| 0 | 0 | 0 | 222,305 | 217,187 | 5,118 |
| 0 | 0 | 0 | 5,000 | 560 | 4,440 |
| 0 | 0 | 0 | 85,817 | 84,000 | 1,817 |
| 0 | 0 | 0 | 10,500 | 10,500 | 0 |
| <u>1,999</u> | <u>1,500</u> | <u>499</u> | <u>11,853,360</u> | <u>10,986,548</u> | <u>866,812</u> |
| <u>1</u> | <u>727</u> | <u>726</u> | <u>(861,177)</u> | <u>(26,627)</u> | <u>834,550</u> |
| 0 | 0 | 0 | 2,000 | 800 | (1,200) |
| 0 | 0 | 0 | 5,000 | 26,992 | 21,992 |
| 0 | 0 | 0 | 43,690 | 32,287 | (11,403) |
| 0 | 0 | 0 | 2,000 | 27,000 | 25,000 |
| 0 | 0 | 0 | 0 | (25,000) | (25,000) |
| 0 | 0 | 0 | 0 | 340,000 | 340,000 |
| 0 | 0 | 0 | (345,000) | (342,509) | 2,491 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>(292,310)</u> | <u>59,570</u> | <u>351,880</u> |
| 1 | 727 | 726 | (1,153,487) | 32,943 | 1,186,430 |
| 1,258 | 1,258 | 0 | 2,180,009 | 2,180,009 | 0 |
| 0 | 0 | 0 | 560,647 | 560,647 | 0 |
| <u>\$1,259</u> | <u>\$1,985</u> | <u>\$726</u> | <u>\$1,587,169</u> | <u>\$2,773,599</u> | <u>\$1,186,430</u> |

West Muskingum Local School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------|-----------------------------|---|
| <u>Operating Revenues:</u> | | | |
| Sales | \$373,651 | \$0 | \$373,651 |
| Charges for Services | 0 | 908,513 | 908,513 |
| | | | |
| Total Operating Revenues | <u>373,651</u> | <u>908,513</u> | <u>1,282,164</u> |
| <u>Operating Expenses:</u> | | | |
| Salaries | 164,761 | 0 | 164,761 |
| Fringe Benefits | 70,865 | 0 | 70,865 |
| Purchased Services | 16,388 | 206,369 | 222,757 |
| Materials and Supplies | 57,621 | 0 | 57,621 |
| Cost of Sales | 192,790 | 0 | 192,790 |
| Depreciation | 9,122 | 0 | 9,122 |
| Claims | 0 | 667,386 | 667,386 |
| Other | 1,964 | 0 | 1,964 |
| | | | |
| Total Operating Expenses | <u>513,511</u> | <u>873,755</u> | <u>1,387,266</u> |
| | | | |
| Operating Income (Loss) | <u>(139,860)</u> | <u>34,758</u> | <u>(105,102)</u> |
| <u>Non-Operating Revenues:</u> | | | |
| Federal Donated Commodities | 22,194 | 0 | 22,194 |
| Interest | 3,554 | 16,316 | 19,870 |
| Operating Grants | 114,145 | 0 | 114,145 |
| | | | |
| Total Non-Operating Revenues | <u>139,893</u> | <u>16,316</u> | <u>156,209</u> |
| | | | |
| Income Before Operating Transfers | 33 | 51,074 | 51,107 |
| | | | |
| Operating Transfers In | <u>2,509</u> | <u>0</u> | <u>2,509</u> |
| | | | |
| Net Income | 2,542 | 51,074 | 53,616 |
| | | | |
| Retained Earnings at Beginning of Year, (Restated, Note 3) | <u>109,850</u> | <u>269,524</u> | <u>379,374</u> |
| | | | |
| Retained Earnings at End of Year | 112,392 | 320,598 | 432,990 |
| | | | |
| Contributed Capital at Beginning and End of Year | <u>7,646</u> | <u>0</u> | <u>7,646</u> |
| | | | |
| Fund Equity at End of Year | <u>\$120,038</u> | <u>\$320,598</u> | <u>\$440,636</u> |

See accompanying notes to the general purpose financial statements

West Muskingum Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Totals (Memorandum Only)</u> |
|--|-------------------|-----------------------------|---|
| Increase in | | | |
| <u>Cash and Cash Equivalents:</u> | | | |
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from Customers | \$373,651 | \$0 | \$373,651 |
| Cash Received from Quasi-External Transactions with Other Funds | 0 | 908,513 | 908,513 |
| Cash Payments to Suppliers for Goods and Services | (240,094) | 0 | (240,094) |
| Cash Payments for Employee Services | (148,205) | (206,369) | (354,574) |
| Cash Payments for Employee Benefits | (83,307) | 0 | (83,307) |
| Cash Payments for Claims | 0 | (685,313) | (685,313) |
| Other Operating Expenses | (1,735) | 0 | (1,735) |
| Net Cash Provided By (Used for) Operating Activities | <u>(99,690)</u> | <u>16,831</u> | <u>(82,859)</u> |
| Cash Flows from | | | |
| <u>Noncapital Financing Activities:</u> | | | |
| Repayments of Short-Term Interfund Loans | (2,000) | 0 | (2,000) |
| Operating Transfers In | 2,509 | 0 | 2,509 |
| Operating Grants Received | 114,145 | 0 | 114,145 |
| Net Cash Provided by Noncapital Financing Activities | <u>114,654</u> | <u>0</u> | <u>114,654</u> |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Interest on Investments | <u>3,554</u> | <u>16,316</u> | <u>19,870</u> |
| Net Increase in Cash and Cash Equivalents | 18,518 | 33,147 | 51,665 |
| Cash and Cash Equivalents at Beginning of Year | <u>128,455</u> | <u>415,521</u> | <u>543,976</u> |
| Cash and Cash Equivalents at End of Year | <u>\$146,973</u> | <u>\$448,668</u> | <u>\$595,641</u> |

(continued)

West Muskingum Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2001

| | Enterprise | Internal Service | Totals (Memorandum Only) |
|--|-------------|---------------------|--------------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by <u>(Used for) Operating Activities:</u> | | | |
| Operating Income (Loss) | (\$139,860) | \$34,758 | (\$105,102) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by <u>(Used for) Operating Activities:</u> | | | |
| Depreciation | 9,122 | 0 | 9,122 |
| Donated Commodities Used During the Year | 22,194 | 0 | 22,194 |
| Changes in Assets and Liabilities: | | | |
| Decrease in Prepaids | 230 | 0 | 230 |
| Decrease in Inventory Held for Resale | 16,176 | 0 | 16,176 |
| Increase in Materials and Supplies Inventory | (164) | 0 | (164) |
| Increase in Accounts Payable | 4,161 | 0 | 4,161 |
| Increase in Accrued Wages and Benefits Payable | 3,008 | 0 | 3,008 |
| Increase in Compensated Absences Payable | 437 | 0 | 437 |
| Increase in Intergovernmental Payable | 667 | 0 | 667 |
| Decrease in Deferred Revenue | (15,661) | 0 | (15,661) |
| Decrease in Claims Payable | 0 | (17,927) | (17,927) |
| Total Adjustments | 40,170 | (17,927) | 22,243 |
| Net Cash Provided By (Used for) Operating Activities | (\$99,690) | \$16,831 | (\$82,859) |

See accompanying notes to the general purpose financial statements

West Muskingum Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

| | Enterprise Funds | | |
|---|-------------------|---------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Sales | \$404,320 | \$373,651 | (\$30,669) |
| Charges for Services | 0 | 0 | 0 |
| Operating Grants | 122,360 | 114,145 | (8,215) |
| Interest | 5,320 | 3,554 | (1,766) |
| Total Revenues | 532,000 | 491,350 | (40,650) |
| <u>Expenses:</u> | | | |
| Salaries | 170,000 | 148,205 | 21,795 |
| Fringe Benefits | 55,000 | 83,308 | (28,308) |
| Purchased Services | 11,130 | 8,052 | 3,078 |
| Materials and Supplies | 353,700 | 269,868 | 83,832 |
| Capital Outlay | 8,620 | 0 | 8,620 |
| Other | 2,378 | 1,733 | 645 |
| Total Expenses | 600,828 | 511,166 | 89,662 |
| Excess of Revenues Over (Under) Expenses | (68,828) | (19,816) | 49,012 |
| Operating Transfers In | 0 | 2,509 | 2,509 |
| Advances Out | (2,000) | (2,000) | 0 |
| Excess of Revenues Over (Under) Expenses, Operating Transfers and Advances | (70,828) | (19,307) | 51,521 |
| Fund Equity at Beginning of Year | 107,625 | 107,625 | 0 |
| Prior Year Encumbrances Appropriated | 20,830 | 20,830 | 0 |
| Fund Equity at End of Year | \$57,627 | \$109,148 | \$51,521 |
| See accompanying notes to the general purpose financial statements | | | (continued) |

West Muskingum Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2001

| | Internal Service Fund | | |
|---|-----------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Sales | \$0 | \$0 | \$0 |
| Charges for Services | 800,000 | 908,513 | 108,513 |
| Operating Grants | 0 | 0 | 0 |
| Interest | 0 | 16,316 | 16,316 |
| | <u>800,000</u> | <u>924,829</u> | <u>124,829</u> |
| <u>Expenses:</u> | | | |
| Salaries | 0 | 0 | 0 |
| Fringe Benefits | 300,000 | 206,369 | 93,631 |
| Purchased Services | 800,000 | 685,313 | 114,687 |
| Materials and Supplies | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| | <u>1,100,000</u> | <u>891,682</u> | <u>208,318</u> |
| Excess of Revenues Over (Under) Expenses | (300,000) | 33,147 | 333,147 |
| Operating Transfers In | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> |
| Excess of Revenues Over (Under) Expenses, Operating Transfers and Advances | (300,000) | 33,147 | 333,147 |
| Fund Equity at Beginning of Year | 415,521 | 415,521 | 0 |
| Prior Year Encumbrances Appropriated | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund Equity at End of Year | <u>\$115,521</u> | <u>\$448,668</u> | <u>\$333,147</u> |

Totals (Memorandum Only)

| <u>Revised Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------|-------------------------|---|
| \$404,320 | \$373,651 | (\$30,669) |
| 800,000 | 908,513 | 108,513 |
| 122,360 | 114,145 | (8,215) |
| <u>5,320</u> | <u>19,870</u> | <u>14,550</u> |
| <u>1,332,000</u> | <u>1,416,179</u> | <u>84,179</u> |
| 170,000 | 148,205 | 21,795 |
| 355,000 | 289,677 | 65,323 |
| 811,130 | 693,365 | 117,765 |
| 353,700 | 269,868 | 83,832 |
| 8,620 | 0 | 8,620 |
| <u>2,378</u> | <u>1,733</u> | <u>645</u> |
| <u>1,700,828</u> | <u>1,402,848</u> | <u>297,980</u> |
| (368,828) | 13,331 | 382,159 |
| 0 | 2,509 | 2,509 |
| <u>(2,000)</u> | <u>(2,000)</u> | <u>0</u> |
| (370,828) | 13,840 | 384,668 |
| 523,146 | 523,146 | 0 |
| <u>20,830</u> | <u>20,830</u> | <u>0</u> |
| <u><u>\$173,148</u></u> | <u><u>\$557,816</u></u> | <u><u>\$384,668</u></u> |

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West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The West Muskingum Local School District (the School District) was organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio.

The West Muskingum Local School District was formed in 1960 and operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The Board controls the School District's five instructional facilities staffed by 70 non-certificated, 114 certificated teaching personnel, and 13 administrators, who provide services to approximately 1,844 students.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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.

No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in three organizations, the Mid-East Ohio Vocational School District and the Licking Area Computer Association which are defined as jointly governed organizations; and the Ohio School Boards Association Workers' Compensation Rating Plan, which is defined as a group insurance purchasing pool. Additional information concerning the jointly governed organizations and the group insurance purchasing pool are presented in Note 19 and 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Muskingum Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Proprietary Fund Types:

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

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

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Internal Service Funds - The internal service fund account is 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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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 non-exchange 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, interest, tuition, grants, student fees and rentals.

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent temporary cash flow resources and are intended to be repaid.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the fund level. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents and Cash with Fiscal Agent

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

During fiscal year 2001, investments were limited to certificates of deposits, repurchase agreements and interest bearing demand accounts.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$226,694, which includes \$101,257 assigned from other School District funds. The Sharon Ramsay Expendable Trust Fund, Food Service Enterprise Fund and Self-Insurance Internal Service Fund also received interest during fiscal year 2001 of \$227, \$3,554 and \$16,316.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten to twenty years.

H. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. 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 all 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 for certified, administrative, and classified employees after 15 years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

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

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

O. Total Columns on General Purpose Financial Statements

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

P. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/RETAINED EARNINGS

Changes in Accounting Principles The School District has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36, “Reporting for Certain Shared Nonexchange Revenues”. The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2000.

Restatement of Fund Balance For fiscal year 2001, the School District has restatements for fund reclassifications. The E-Rate Fund and Vocational Education Equipment Fund were both reclassified from the Special Revenue Fund Type to be combined with the General Fund. Claims Payable in the Internal Service Fund was overstated at June 30, 2000 by \$86,478 as a portion of the incurred-but-not-reported claims were misstated. The restated June 30, 2000 Claims Payable is \$145,997

There was also a restatement for a correction of an error in Materials and Supplies Inventory and Inventory Held For Resale. Materials and Supplies Inventory in the General Fund was overstated by \$28,834 as of June 30, 2000. The corrected June 30, 2000 balance is \$6,974.

These restatements had the following effect on fund balance/retained earnings at June 30, 2000:

| | General | Special Revenue | Internal Service |
|--|-------------|--------------------|---------------------|
| Fund Balance/Retained Earnings at June 30, 2000 | \$2,429,310 | \$258,580 | \$183,046 |
| Restatement of Materials and Supplies Inventory | (28,834) | 0 | 0 |
| Restatement of Claims Payable | 0 | 0 | 86,478 |
| Fund Reclassification | 18,606 | (18,606) | 0 |
| Adjusted Fund Balance/Retained Earnings at June 30, 2000 | \$2,419,082 | \$239,974 | \$269,524 |

The effect of the fund reclassification on the excess of revenues and other financing sources over (under) expenditures and other uses previously reported and net income for the year ended June 30, 2000 is as follows:

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

| | General | Special Revenue | Internal Service |
|---|------------------|--------------------|---------------------|
| Excess/Net Income as previously reported - 2000 | \$272,530 | (\$18,424) | (\$120,523) |
| Restatement of Materials and Supplies Inventory | (28,834) | 0 | 0 |
| Restatement of Claims Payable | 0 | 0 | 86,478 |
| Fund Reclassification | 18,606 | (18,606) | 0 |
| Restated Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses/Net Income | <u>\$262,302</u> | <u>(\$37,030)</u> | <u>(\$34,045)</u> |

NOTE 4 - ACCOUNTABILITY

At June 30, 2001, DPIA Special Revenue Fund had a deficit fund balance of \$6,250. The DPIA Special Revenue Fund receives transfers from the General Fund when cash is required rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are 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 basis are that:

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

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust |
|---|--------------------|--------------------|-----------------|---------------------|---------------------|
| GAAP Basis | \$527,025 | (\$54,384) | \$0 | \$322,163 | \$727 |
| Revenue Accruals | (345,876) | 76,183 | 0 | 0 | 0 |
| Unrecorded Cash | 12,246 | 0 | 0 | 0 | 0 |
| Expenditure Accruals | 4,960 | (4,531) | 0 | (35,668) | 0 |
| Debt Service Principal | 0 | 0 | (84,000) | 0 | 0 |
| Debt Service Interest | 0 | 0 | (10,500) | 0 | 0 |
| Adjustment For Reclassification From Debt Service Fund To General Fund | (94,500) | 0 | 94,500 | 0 | 0 |
| Prepaid Items | 4,025 | 0 | 0 | 0 | 0 |
| Advances - In | 27,000 | 0 | 0 | 0 | 0 |
| Advances - Out | 0 | (25,000) | 0 | 0 | 0 |
| Encumbrances | (318,117) | (63,240) | 0 | (70) | 0 |
| Budget Basis | <u>(\$183,237)</u> | <u>(\$70,972)</u> | <u>\$0</u> | <u>\$286,425</u> | <u>\$727</u> |

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Net Income/Excess of Revenues Over (Under) Expenses,
Operating Transfers and Advances
All Proprietary Fund Types

| | Enterprise | Internal Service |
|----------------------------------|------------|---------------------|
| GAAP Basis | \$2,542 | \$51,074 |
| Revenue Accrual | (22,194) | 0 |
| Expense Accrual | 47,290 | (17,927) |
| Prepaid Items | (230) | 0 |
| Materials and Supplies Inventory | 164 | 0 |
| Inventory Held for Resale | (16,176) | 0 |
| Depreciation Expense | 9,122 | 0 |
| Advances-Out | (2,000) | 0 |
| Encumbrances | (37,825) | 0 |
| Budget Basis | (\$19,307) | \$33,147 |

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that instruments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. During fiscal year 2000, the School District had investments in a money market mutual fund.

Undeposited Cash At year end, the School District had \$12,246 in undeposited cash on hand which is included on the balance sheet of the School District as part of “Cash and Cash Equivalents”.

Deposits At year end, the carrying amount of the School District's deposits was \$2,786,432 and the bank balance was \$4,003,832 which includes \$153,939 for the payroll clearance account. Of the bank balance:

1. \$400,000 was covered by federal depository insurance;
2. \$464,103 was covered by securities held by the financial institution’s agent in the name of the District;
3. \$3,139,729 was uninsured and uncollateralized. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 could potentially prevent the District from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

Investments The School District’s investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

| | Carrying Value | Market Value |
|---|-------------------|-----------------|
| Investment in a Money Market Mutual Fund | \$1,025,395 | \$1,025,395 |

Investments in open-end mutual funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|---|---------------------------------------|-------------|
| GASB Statement 9 | \$3,824,073 | \$0 |
| Cash on Hand | (12,246) | 0 |
| Investment in a Money Market Mutual Fund | (1,025,395) | 1,025,395 |
| GASB Statement 3 | \$2,786,432 | \$1,025,395 |

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true 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.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Tangible personal property taxes 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.

The assessed values upon which fiscal year 2001 taxes were collected are:

| | 2000 Second- Half Collections | | 2001 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$153,979,390 | 82.80% | \$189,563,840 | 84.78% |
| Public Utility | 11,996,600 | 6.40 | 11,642,250 | 5.20 |
| Tangible Personal Property | 20,049,390 | 10.80 | 22,385,000 | 10.01 |
| Total Assessed Value | <u>\$186,025,380</u> | <u>100.00%</u> | <u>\$223,591,090</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$41.10 | | \$43.80 | |

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance to the general fund at June 30, 2001, was \$1,770,294.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

A summary of the principal items of intergovernmental receivables follows:

| | Amounts |
|-----------------------------|-----------|
| General Fund: | |
| Excess Cost | \$23,735 |
| E-Rate | 16,706 |
| Total General Fund: | 40,441 |
| Special Revenue Funds: | |
| Title I | 42,918 |
| Drug Free School | 757 |
| Class Size Reduction | 5,878 |
| Title VI-B | 12,521 |
| Total Special Revenue Funds | 62,074 |
| Total All Funds | \$102,515 |

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

| | |
|-------------------------------|-----------|
| Furniture and Equipment | \$238,176 |
| Less Accumulated Depreciation | (162,406) |
| Net Fixed Assets | \$75,770 |

A summary of the changes in general fixed assets during fiscal year 2001 follows:

| Asset Category | Balance at 6/30/00 | Additions | Deletions | Balance at 6/30/01 |
|--|-----------------------|-----------|-----------|-----------------------|
| Land and Improvements | \$99,175 | \$0 | \$0 | \$99,175 |
| Buildings and Improvements | 5,609,214 | 0 | 0 | 5,609,214 |
| Furniture and Fixtures, and Machinery and Equipment | 1,224,713 | 236,783 | 34,528 | 1,426,968 |
| Vehicles | 1,271,580 | 0 | 0 | 1,271,580 |
| Total General Fixed Assets | \$8,204,682 | \$236,783 | \$34,528 | \$8,406,937 |

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2001, the School District contracted with Utica Insurance for property insurance and Nationwide Insurance Company for fleet insurance. The coverage includes a \$1,000 deductible on property insurance and a \$250 deductible on fleet coverage.

Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence and \$3,000,000 aggregate limit and a \$3,000 deductible with an umbrella of \$1,000,000. The School District is also protected by the Nationwide Insurance Company with a blanket policy which includes a \$1,000 deductible and \$23,671,040 aggregate.

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to GRP.

Medical, prescription and dental coverage is provided on a self-insured basis through Benefit Services, Inc. and Medical Mutual of Ohio. Premiums for dental coverage are \$18.14 and \$60.47 for single and family coverage, respectively. These premiums are paid into the self-insurance fund and the board pays for all claims above the employees' co-pay within the limits of the dental insurance policy. The premiums for medical/prescription coverage range from \$220.53 for single and \$557.21 for family with the employees' paying varying percentages of the premiums. The prescription managed pharmacy benefits require a co-pay in the amount of \$7 for generic brands and \$15 for brand names. The premiums are paid into the self-insurance fund. The District pays all eligible claims above the employees' co-pay up to the stop loss coverage. Stop loss coverage is \$30,000 per individual per year and \$2,000,000 aggregate per year.

The claims liability of \$128,070 reported in the fund at June 30, 2001 is based on 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.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Changes in the fund's claims liability amount in 2000 and 2001 were:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2000 | \$252,892 | \$755,257 | \$862,152 | \$145,997 |
| 2001 | 145,997 | 667,386 | 685,313 | 128,070 |

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The West Muskingum Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was 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, 2001, 2000, and 1999 were \$61,180, \$63,469, and \$83,888, respectively; 53.08 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$104,203 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$513,670, \$298,284, and \$290,298, respectively; 83.98 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$82,303 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$243,317 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$163,579.

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, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 13 - 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 and administrators who work less than 260 days 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 215 days for certified employees and 210 days for classified employees. Upon retirement, certified employees receive payment for one-fourth of the total sick leave accumulation up to 50 days. Classified employees, upon retirement, receive payment for one-third of the total sick leave accumulation up to 49 days.

B. Other Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company. The School District provides life insurance in amounts ranging from \$5,000 to \$90,919.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

C. Special Termination Benefit Payable

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

Non-certified employees who retire with a minimum of 25 years of SERS service, 10 of which have been earned as an employee of West Muskingum Local School District, receive an additional 5 days of severance pay as calculated on the employees rate of pay at the time of retirement.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases with the Ryder Truck Rental, Inc. for eight school buses. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001.

| Fiscal Year Ending June 30, | General Long-Term Obligations |
|---|----------------------------------|
| 2002 | \$40,996 |
| 2003 | 40,996 |
| 2004 | 40,996 |
| 2005 | 40,996 |
| 2006-07 | 51,245 |
| Total minimum lease payments | 215,229 |
| Less: amount representing interest | (31,731) |
| Present value of minimum lease payments | \$183,498 |

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

| | Principal Outstanding 6/30/00 | Additions | Deductions | Principal Outstanding 6/30/01 |
|--|-------------------------------------|-------------------------|-------------------------|-------------------------------------|
| Compensated Absences | \$772,376 | \$302,891 | \$370,352 | \$704,915 |
| Pension Obligation | 69,560 | 75,497 | 69,560 | 75,497 |
| Retirement Incentive | 14,000 | 0 | 14,000 | 0 |
| Capital Leases | 318,031 | 0 | 134,533 | 183,498 |
| Total General Long-Term Obligations | <u>\$1,173,967</u> | <u>\$378,388</u> | <u>\$588,445</u> | <u>\$963,910</u> |

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

The School District's voted legal debt margin was \$20,123,198 with an unvoted debt margin of \$223,591 at June 30, 2001.

NOTE 16 - NOTES PAYABLE

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

| | Principal Outstanding 6/30/00 | Additions | Deductions | Principal Outstanding 6/30/01 |
|---------------------------|-------------------------------------|------------|-----------------|-------------------------------------|
| Energy Conservation Notes | <u>\$168,000</u> | <u>\$0</u> | <u>\$84,000</u> | <u>\$84,000</u> |

The notes are scheduled to be repaid during fiscal year 2002 with scheduled interest payments of \$5,250.

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

| Fund Type/Fund | Interfund Receivable | Interfund Payable |
|-----------------------|-------------------------|----------------------|
| General Fund | \$33,000 | \$0 |
| Enterprise Funds: | | |
| Food Service | 0 | 3,000 |
| Uniform School Supply | 0 | 30,000 |
| Total All Funds | \$33,000 | \$33,000 |

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the West Muskingum Local School District as of and for the fiscal year ended June 30, 2001.

| | Food Service Fund | Uniform School Supplies Fund | Total Enterprise Funds |
|---|----------------------|------------------------------------|------------------------------|
| Operating Revenues | \$324,226 | \$49,425 | \$373,651 |
| Depreciation Expense | (9,122) | 0 | (9,122) |
| Operating Income (Loss) | (144,573) | 4,713 | (139,860) |
| Donated Commodities | 22,194 | 0 | 22,194 |
| Operating Grants | 114,145 | 0 | 114,145 |
| Interest | 3,554 | 0 | 3,554 |
| Transfers In | 2,509 | 0 | 2,509 |
| Net Income (Loss) | (2,171) | 4,713 | 2,542 |
| Net Working Capital | 25,921 | 8,650 | 34,571 |
| Total Assets | 190,378 | 46,714 | 237,092 |
| Total Equity | 111,388 | 8,650 | 120,038 |
| Encumbrances Outstanding at June 30, 2001 | 23,887 | 13,938 | 37,825 |

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association - The Licking Area Computer Association (LACA) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. LACA provides financial accounting services, student services, and educational management information system. Each member District pays an annual fee for services provided by LACA. The School District paid LACA \$60,189 for services provided during the year. LACA is governed by a Board of Directors which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and finance is limited to its voting authority and any representation which may have on the Board of Directors.

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

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

NOTE 20 - INSURANCE PURCHASING POOL

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

NOTE 21 - SET-ASIDE CALCULATIONS

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

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

| | Textbooks | Capital Improvements | Budget Stabilization |
|--|-------------------|-------------------------|-------------------------|
| Set-aside Reserve Balance as of June 30, 2000 | \$0 | \$0 | \$139,380 |
| Current Year Set-aside Requirement | 225,413 | 225,413 | 0 |
| Carryover from Prior Year | (35,015) | 0 | 0 |
| Reduction in Budget Stabilization based on Statutory Revision | 0 | 0 | (89,187) |
| Current Year Offsets | 0 | (270,000) | 0 |
| Qualifying Disbursements | (266,469) | (236,029) | 0 |
| Totals | <u>(\$76,071)</u> | <u>(\$280,616)</u> | <u>\$50,193</u> |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>(\$76,071)</u> | <u>\$0</u> | <u>\$0</u> |
| Set-aside Reserve Balance as of June 30, 2001 | <u>\$0</u> | <u>\$0</u> | <u>\$50,193</u> |

The School District has qualifying disbursements during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. The extra amounts in the textbooks set-aside may be used to reduce the set-aside requirements of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$50,193.

NOTE 22 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 11, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

West Muskingum Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such consideration.

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

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

| FEDERAL GRANTOR/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Noncash Receipts | Disbursements | Noncash Disbursements |
|---|---|------------------------------------|-------------------------|-----------------------------|-------------------------|----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: Food Distribution Program | N/A | 10.550 | \$ | \$22,327 | \$ | \$22,194 |
| National School Lunch Program | N/A | 10.555 | <u>108,535</u> | | <u>108,535</u> | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 108,535 | 22,327 | 108,535 | 22,194 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Grants to Local Education Agencies | 6B-SF-01P | 84.010 | 291,047 | | 269,684 | |
| Special Education Grants to States | C1-S1-01 | 84.027 | 119,277 | | 107,791 | |
| Safe and Drug Free Schools and Communities-State Grants | DR-S1-01 | 84.186 | 6,668 | | 9,916 | |
| Goals 2000 - State and Local Education Systematic Improvement | G2-S2-01P | 84.276 | 49,992 | | 47,050 | |
| Eisenhower Professional Development State Grants | MS-S1-01 | 84.281 | 13,384 | | 9,498 | |
| Innovative Education Program Strategies | C2-S1-01 | 84.298 | 8,862 | | 10,807 | |
| Class Size Reduction | CR-S1-01 | 84.340 | 52,983 | | 56,360 | |
| <i>Direct Program:</i> | | | | | | |
| Disadvantaged Pupil Impact Aid | N/A | 84.041 | <u>200</u> | | <u>200</u> | |
| Total U.S. Department of Education | | | 542,413 | | 511,306 | |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | | |
| <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i> | | | | | | |
| Medical Assistance Program | N/A | 93.778 | <u>6,456</u> | | <u>6,456</u> | |
| Total U.S. Department of Health and Human Services | | | <u>6,456</u> | | <u>6,456</u> | |
| Total Federal Awards Receipts and Expenditures | | | <u>\$657,404</u> | <u>\$22,327</u> | <u>\$626,297</u> | <u>\$22,194</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 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

To Members of the Board:

We have audited the general purpose financial statements of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 11, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated December 11, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 11, 2001.

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

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

Jim Petro
Auditor of State

December 11, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

To Members of the Board:

Compliance

We have audited the compliance of the West Muskingum Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control over Compliance

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

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

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

Jim Petro
Auditor of State

December 11, 2001

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WEST MUSKINGUM LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**