



**Auditor of State  
Betty Montgomery**



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund .....	17
Statement of Fund Net Assets - Internal Service Fund.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund .....	19
Statement of Cash Flows - Internal Service Fund.....	20
Statement of Fiduciary Assets and Liabilities - Agency Fund .....	21
Notes to the Basic Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures .....	49
Notes to Schedule of Federal Awards Receipts and Expenditures.....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	53
Schedule of Findings - <i>OMB Circular A-133 § .505</i> .....	55

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2006 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Betty Montgomery**  
Auditor of State

January 25, 2006

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

---

The discussion and analysis of the West Muskingum Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities increased \$575,113.
- Capital assets increased \$10,958,793 due to the School District's Classroom Facilities Project.
- General revenues accounted for \$13,441,190 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,054,701, 19 percent of total revenues of \$16,495,891.
- Total assets of governmental activities increased \$322,313 primarily due to increases in capital assets.
- The School District had \$15,920,778 in expenses related to governmental activities; only \$3,054,701 of these expenses were offset by program specific charges for services and grants and contributions. General revenues of \$13,441,190 provided for all of these activities.
- The School District has three major funds; the General Fund, Debt Service Fund, and the Classroom Facilities ELPP Capital Projects Fund. The General Fund had \$12,463,583 in revenues and \$12,743,679 in expenditures. The General Fund's balance decreased \$427,345. The Debt Service Fund had \$1,566,290 in revenues and \$1,451,928 in expenditures. The Debt Service Fund's balance increased \$114,362. The Classroom Facilities ELPP Capital Projects Fund had \$305,856 in revenues and \$11,320,878 in expenditures. The Classroom Facilities ELPP Capital Projects Fund's balance decreased \$11,015,022.

**Using this Annual Financial Report**

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

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

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

---

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

**Statement of Net Assets and Statement of Activities**

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Fund Financial Statements***

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

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



**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

---

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2005 compared to 2004.

**Table I**  
**Net Assets**

	<u>Governmental Activities</u>		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$21,727,477	\$32,363,957	(\$10,636,480)
Capital Assets	17,346,123	6,387,330	10,958,793
<b>Total Assets</b>	<u>39,073,600</u>	<u>38,751,287</u>	<u>322,313</u>
<b>Liabilities</b>			
Long-Term Liabilities	24,450,586	25,071,558	(620,972)
Other Liabilities	6,643,818	6,275,646	368,172
<b>Total Liabilities</b>	<u>31,094,404</u>	<u>31,347,204</u>	<u>(252,800)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	3,406,747	2,959,036	447,711
Restricted	2,006,443	1,740,516	265,927
Unrestricted	2,566,006	2,704,531	(138,525)
<b>Total Net Assets</b>	<u>\$7,979,196</u>	<u>\$7,404,083</u>	<u>\$575,113</u>

Total assets increased \$322,313. The majority of the increase was due to increases in capital assets because of the School District's Classroom Facilities Project. The increase is offset by a decrease in investments of \$10,526,974 due to \$11,289,069 in capital outlay expenditures for the Classroom Facilities ELPP Program during fiscal year 2005.

Total liabilities decreased \$252,800. The decrease in liabilities is primarily due to the School District's principal payment of \$380,000 on the School Facilities Construction and Improvement Bonds and a principal payment of \$104,534 on capital leases.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$982,507	\$585,283
Operating Grants and Contributions	1,903,593	2,003,213
Capital Grants and Contributions	168,601	41,278
	<u>3,054,701</u>	<u>2,629,774</u>
General Revenue		
Property Taxes	6,521,206	6,598,413
Gain on Sale of Capital Asset	7,751	0
Payment in Lieu of Taxes	140,895	0
Grants and Entitlements	6,225,297	5,891,566
Investment Earnings	455,276	241,035
Miscellaneous Revenue	90,765	52,555
	<u>13,441,190</u>	<u>12,783,569</u>
Total Revenues	<u>16,495,891</u>	<u>15,413,343</u>
<b>Program Expenses</b>		
Instruction		
Regular	6,457,309	6,067,744
Special	1,811,647	1,825,495
Vocational	308,715	279,157
Support Services		
Pupil	175,524	290,729
Instructional Staff	1,129,778	1,218,357
Board of Education	18,985	41,370
Administration	1,314,127	1,315,612
Fiscal	373,720	384,557
Operation and Maintenance of Plant	1,331,196	1,203,937
Pupil Transportation	952,599	818,287
Central	98,794	112,288
Operation of Non-Instructional Services		
Food Service Operations	601,595	587,830
Other	27,736	5,742
Extracurricular Activities	268,393	244,011
Interest and Fiscal Charges	1,050,660	1,055,504
Total Expenses	<u>15,920,778</u>	<u>15,450,620</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$575,113</u>	<u>(\$37,277)</u>

The School District's net assets increased \$575,113. The majority of this increase was due to the School District offering open enrollment for the first time during fiscal year 2005 and an increase in GAP Aid during the fiscal year.

The passage of House Bill 95 has had a detrimental affect on the School District. Because the School District operated a very tight budget, revenue sources did keep pace with expenses in fiscal year 2005.

## West Muskingum Local School District, Ohio

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

During fiscal year 2005, the School District negotiated a 2.65 percent base increase on top of a step increase for certified salaries and a 2.5 percent base increase for classified salaries. Insurance costs also increased 10 percent during fiscal year 2005.

In addition, the passage of any future levies would cause the School District to lose State funding through GAP Aid.

In November of 2002, the residents of the School District passed a \$23,950,000 bond levy as part of the Expedited Local Partnership Program. The School District will build a new high school and renovate the middle school during phase one and build two new elementary buildings during phase two. Phase one construction costs will be funded entirely by local monies. Phase two monies will be funded through State monies which the District is eligible for in 2007, 2008, or 2009. The total construction project is estimated at \$39,100,206.

Instructional programs comprise approximately 54 percent of total governmental program expenses. Of the instructional expenses, approximately 75 percent is for regular instruction, 21 percent for special instruction, and 4 percent for vocational instruction.

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

**Table 3**  
**Governmental Activities**

	2005 Total Cost of Services	2005 Net Cost of Services	2004 Total Cost of Services	2004 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$6,457,309	\$6,160,109	\$6,067,744	\$5,834,069
Special	1,811,647	621,307	1,825,495	887,138
Vocational	308,715	272,500	279,157	237,988
Support Services:				
Pupil	175,524	154,373	290,729	271,629
Instructional Staff	1,129,778	682,532	1,218,357	713,926
Board of Education	18,985	18,985	41,370	41,370
Administration	1,314,127	1,200,320	1,315,612	1,099,351
Fiscal	373,720	373,116	384,557	384,557
Operation and Maintenance of Plant	1,331,196	1,194,990	1,203,937	1,192,951
Pupil Transportation	952,599	898,065	818,287	764,843
Central	98,794	49,738	112,288	62,700
Operation of Non-Instructional Services				
Food Service Operations	601,595	9,797	587,830	35,870
Other	27,736	11,774	5,742	(790)
Extracurricular Activities	268,393	167,811	244,011	239,740
Interest and Fiscal Charges	1,050,660	1,050,660	1,055,504	1,055,504
<b>Totals</b>	<b>\$15,920,778</b>	<b>\$12,866,077</b>	<b>\$15,450,620</b>	<b>\$12,820,846</b>

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

---

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 81 percent of instruction activities are supported through taxes and other general revenues.

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,479,634 and expenditures of \$27,581,229. The majority of governmental fund expenditures are capital outlay expenditures associated with the Classroom Facilities Expedited Local Partnership Program Project.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2005, the School District amended its General Fund appropriations although none were significant.

Budget basis revenue was \$12,415,285 compared to final estimates of \$12,234,072. Of this \$181,213 difference, most was due to conservative property tax estimates.

The School District's ending General Fund balance was \$1,815,562.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the School District had \$17,346,123 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

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

	<u>Government Activities</u>	
	<u>2005</u>	<u>2004</u>
Land and Land Improvements	\$269,233	\$259,912
Construction in Progress	14,624,184	3,521,413
Buildings and Improvements	1,647,534	1,768,720
Furniture and Equipment	495,574	591,816
Vehicles	<u>309,598</u>	<u>245,469</u>
<b>Totals</b>	<u><u>\$17,346,123</u></u>	<u><u>\$6,387,330</u></u>

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

---

During fiscal year 2005, the School District purchased land, furniture and equipment and vehicles. Construction in progress additions of \$11,102,771 occurred during fiscal year 2005 for expenditures related to the Classroom Facilities Expedited Local Partnership Program. See Note 8 for additional information regarding capital assets.

***Debt***

At June 30, 2005, the School District had \$23,559,805 in 2003 general obligation bonds outstanding, \$410,000 due within one year. The bonds were issued for school facilities construction and improvements. The bonds will be fully repaid by fiscal year 2031. Capital leases outstanding at June 30, 2005 were \$222,106 with \$106,587 due in one year. See Note 15 for more detailed information of the School District's debt.

***Set-asides***

For fiscal year 2005, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2005, this amounted to \$265,204 for each set aside. For fiscal year 2005, the School District had qualifying disbursements or offsets exceeding the \$265,204 requirement for textbooks and capital maintenance.

***Economic Factors***

During fiscal year 2005, General Fund expenditures exceeded General Fund receipts by \$280,096. This excess is due to an increase in salaries and benefits not being offset by a comparable increase in State funding.

Fortunately, the School District has built a General Fund cash balance that can sustain this negative operating cash flow. However, the School District will continue to have a negative cash flow in its General Fund unless the State addresses the funding system or the School District passes a large operating levy.

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

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

**This page intentionally left blank.**

**West Muskingum Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,148,442
Accounts Receivable	9,831
Intergovernmental Receivable	156,827
Prepaid Items	38,838
Inventory Held for Resale	16,349
Accrued Interest Receivable	7,885
Materials and Supplies Inventory	9,052
Property Taxes Receivable	6,513,399
Revenue in Lieu of Taxes Receivable	52,847
Investments	9,522,334
Deferred Charges	251,673
Nondepreciable Capital Assets	14,889,096
Depreciable Capital Assets, Net	<u>2,457,027</u>
<i>Total Assets</i>	<u>39,073,600</u>
<b>Liabilities</b>	
Accounts Payable	121,602
Accrued Wages and Benefits	1,285,376
Contracts Payable	564,993
Accrued Interest Payable	86,532
Deferred Revenue	3,886,531
Intergovernmental Payable	385,091
Retainage Payable	131,121
Claims Payable	182,572
Long-Term Liabilities:	
Due Within One Year	627,762
Due In More Than One Year	<u>23,822,824</u>
<i>Total Liabilities</i>	<u>31,094,404</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,406,747
Restricted for:	
Capital Projects	1,242,284
Debt Service	675,507
Budget Stabilization	50,193
Other Purposes	38,459
Unrestricted	<u>2,566,006</u>
<i>Total Net Assets</i>	<u>\$7,979,196</u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and
					Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$6,457,309	\$74,824	\$195,357	\$27,019	(\$6,160,109)
Special	1,811,647	365,957	824,383	0	(621,307)
Vocational	308,715	0	36,215	0	(272,500)
Support Services:					
Pupil	175,524	0	21,151	0	(154,373)
Instructional Staff	1,129,778	0	443,741	3,505	(682,532)
Board of Education	18,985	0	0	0	(18,985)
Administration	1,314,127	56,143	57,664	0	(1,200,320)
Fiscal	373,720	0	604	0	(373,116)
Operation and Maintenance of Plant	1,331,196	20,037	0	116,169	(1,194,990)
Pupil Transportation	952,599	0	35,398	19,136	(898,065)
Central	98,794	0	49,056	0	(49,738)
Operation of Non-Instructional Services:					
Food Service Operations	601,595	366,353	225,445	0	(9,797)
Other Non-Instructional Services	27,736	0	13,190	2,772	(11,774)
Extracurricular Activities	268,393	99,193	1,389	0	(167,811)
Interest and Fiscal Charges	1,050,660	0	0	0	(1,050,660)
<b>Totals</b>	<b>\$15,920,778</b>	<b>\$982,507</b>	<b>\$1,903,593</b>	<b>\$168,601</b>	<b>(12,866,077)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	5,130,221
Debt Service	1,390,985
Gain on Sale of Capital Asset	7,751
Payment in Lieu of Taxes	140,895
Grants and Entitlements not Restricted to Specific Programs	6,225,297
Investment Earnings	455,276
Miscellaneous	90,765

*Total General Revenues* 13,441,190

*Change in Net Assets* 575,113

*Net Assets Beginning of Year* 7,404,083

*Net Assets End of Year* \$7,979,196

See accompanying notes to the basic financial statements



**West Muskingum Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Debt Service	Classroom Facilitites ELPP Project	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,179,552	\$664,662	\$214,773	\$1,510,153	\$4,569,140
Accounts Receivable	4,334	0	0	5,497	9,831
Revenue in Lieu of Taxes Receivable	52,847	0	0	0	52,847
Interfund Receivable	1,231	0	0	0	1,231
Intergovernmental Receivable	3,119	0	0	153,708	156,827
Accrued Interest Receivable	7,885	0	0	0	7,885
Prepaid Items	38,838	0	0	0	38,838
Inventory Held for Resale	0	0	0	16,349	16,349
Materials and Supplies Inventory	7,628	0	0	1,424	9,052
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	50,193	0	0	0	50,193
Property Taxes Receivable	5,133,462	1,379,937	0	0	6,513,399
Investments	0	0	9,522,334	0	9,522,334
<b>Total Assets</b>	<b>\$7,479,089</b>	<b>\$2,044,599</b>	<b>\$9,737,107</b>	<b>\$1,687,131</b>	<b>\$20,947,926</b>
<b>Liabilities</b>					
Accounts Payable	\$84,436	\$0	\$31,044	\$6,122	\$121,602
Accrued Wages and Benefits	1,101,677	0	0	183,699	1,285,376
Contracts Payable	0	0	564,993	0	564,993
Retainage Payable	0	0	131,121	0	131,121
Interfund Payable	0	0	0	1,231	1,231
Deferred Revenue	3,459,382	872,383	0	0	4,331,765
Intergovernmental Payable	336,797	0	0	48,294	385,091
<b>Total Liabilities</b>	<b>4,982,292</b>	<b>872,383</b>	<b>727,158</b>	<b>239,346</b>	<b>6,821,179</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	285,094	0	8,432,389	524,899	9,242,382
Reserved for Budget Stabilization	50,193	0	0	0	50,193
Reserved for Property Taxes	1,731,237	507,066	0	0	2,238,303
Unreserved:					
Undesignated, Reported in:					
General Fund	430,273	0	0	0	430,273
Special Revenue Funds	0	0	0	76,091	76,091
Debt Service Fund	0	665,150	0	0	665,150
Capital Projects Funds	0	0	577,560	846,795	1,424,355
<b>Total Fund Balances</b>	<b>2,496,797</b>	<b>1,172,216</b>	<b>9,009,949</b>	<b>1,447,785</b>	<b>14,126,747</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,479,089</b>	<b>\$2,044,599</b>	<b>\$9,737,107</b>	<b>\$1,687,131</b>	<b>\$20,947,926</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Reconciliation of Total Governmental Funds Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005*

---

<b>Total Governmental Fund Balances</b>	<b>\$14,126,747</b>
---	---------------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,346,123
---	------------

Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:

Property Taxes Receivable	385,045		
Revenue in Lieu of Taxes Receivable	52,847		
Accrued Interest Receivable	5,066		
Intergovernmental Receivable	2,276		445,234

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	346,537
--	---------

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.	251,673
--	---------

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Bonds Payable	(23,559,805)		
Accrued Interest Payable	(86,532)		
Capital Leases Payable	(222,106)		
Compensated Absences	(654,675)		
Retirement Incentive Payable	(14,000)		(24,537,118)

Net Assets of Governmental Activities	<b>\$7,979,196</b>
---------------------------------------	--------------------

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Debt Service	Classroom Facilities ELPP Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$5,178,139	\$1,399,479	\$0	\$0	\$6,577,618
Payment in Lieu of Taxes	87,358	690	0	0	88,048
Intergovernmental	6,510,702	166,121	0	1,500,520	8,177,343
Interest	137,748	0	305,856	1,877	445,481
Tuition and Fees	438,834	0	0	0	438,834
Extracurricular Activities	0	0	0	157,283	157,283
Rentals	20,037	0	0	0	20,037
Charges for Services	0	0	0	366,353	366,353
Contributions and Donations	0	0	0	117,872	117,872
Miscellaneous	90,765	0	0	0	90,765
<b>Total Revenues</b>	<b>12,463,583</b>	<b>1,566,290</b>	<b>305,856</b>	<b>2,143,905</b>	<b>16,479,634</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	6,197,556	0	0	261,434	6,458,990
Special	1,274,367	0	0	530,383	1,804,750
Vocational	301,360	0	0	2,701	304,061
Support Services:					
Pupils	164,046	0	0	22,445	186,491
Instructional Staff	682,632	0	0	444,369	1,127,001
Board of Education	18,985	0	0	0	18,985
Administration	1,258,291	0	0	68,146	1,326,437
Fiscal	311,513	29,742	31,809	598	373,662
Operation and Maintenance of Plant	1,155,526	0	0	0	1,155,526
Pupil Transportation	1,013,842	0	0	2,711	1,016,553
Central	79,747	0	0	19,047	98,794
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	597,960	597,960
Other Non-Instructional Services	8,805	0	0	18,931	27,736
Extracurricular Activities	157,889	0	0	95,054	252,943
Capital Outlay	96	0	11,289,069	965	11,290,130
Debt Service:					
Principal Retirement	104,534	380,000	0	0	484,534
Interest and Fiscal Charges	14,490	1,042,186	0	0	1,056,676
<b>Total Expenditures</b>	<b>12,743,679</b>	<b>1,451,928</b>	<b>11,320,878</b>	<b>2,064,744</b>	<b>27,581,229</b>
Excess of Revenues Over (Under) Expenditures:	(280,096)	114,362	(11,015,022)	79,161	(11,101,595)
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Fixed Assets	7,751	0	0	0	7,751
Transfers In	0	0	0	155,000	155,000
Transfers Out	(155,000)	0	0	0	(155,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(147,249)</b>	<b>0</b>	<b>0</b>	<b>155,000</b>	<b>7,751</b>
<b>Net Change in Fund Balances</b>	<b>(427,345)</b>	<b>114,362</b>	<b>(11,015,022)</b>	<b>234,161</b>	<b>(11,093,844)</b>
Fund Balances Beginning of Year - Restated (Note 3)	2,924,142	1,057,854	20,024,971	1,213,624	25,220,591
<b>Fund Balances End of Year</b>	<b>\$2,496,797</b>	<b>\$1,172,216</b>	<b>\$9,009,949</b>	<b>\$1,447,785</b>	<b>\$14,126,747</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

---

Net Change in Fund Balances - Total Governmental Funds (\$11,093,844)

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

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

Capital Assets Additions	11,323,148	
Current Year Depreciation	(364,355)	10,958,793

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

Property Taxes	(56,412)	
Revenue in Lieu of Taxes	52,847	
Intergovernmental	2,276	
Interest	2,929	1,640

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

Retirement Incentive Payable	14,000	
Compensated Absences	107,251	121,251

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

Discount Amortization	(3,412)	
Premium Amortization	18,599	
Issuance Costs Amortization	(9,805)	
Accrued Interest Payable	634	6,016

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 484,534

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net income of the internal service fund is reported with governmental activities. 96,723

Change in Net Assets of Governmental Activities \$575,113

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$4,772,390	\$5,068,955	\$5,175,435	\$106,480
Payment in Lieu of Taxes	18,540	17,601	87,358	69,757
Intergovernmental	6,655,517	6,532,403	6,511,573	(20,830)
Interest	103,000	71,447	91,267	19,820
Tuition and Fees	222,676	441,820	441,842	22
Rent	8,400	16,800	20,037	3,237
Miscellaneous	65,288	85,046	87,773	2,727
<i>Total Revenues</i>	11,845,811	12,234,072	12,415,285	181,213
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,287,386	6,701,766	6,539,070	162,696
Special	1,288,777	1,309,762	1,305,523	4,239
Vocational	287,931	292,619	293,141	(522)
Support Services:				
Pupils	265,296	269,616	189,730	79,886
Instructional Staff	641,495	651,940	697,577	(45,637)
Board of Education	14,845	15,087	18,912	(3,825)
Administration	1,300,997	1,322,181	1,276,774	45,407
Fiscal	354,289	360,058	311,179	48,879
Operation and Maintenance of Plant	1,235,685	1,255,807	1,243,339	12,468
Pupil Transportation	997,692	1,023,938	1,040,538	(16,600)
Central	67,585	68,685	79,747	(11,062)
Non-Instructional Services	0	0	8,805	(8,805)
Extracurricular Activities	150,106	152,550	157,708	(5,158)
Capital Outlay	4,920	5,000	96	4,904
<i>Total Expenditures</i>	12,897,004	13,429,009	13,162,139	266,870
<i>Excess of Revenues Under Expenditures</i>	(1,051,193)	(1,194,937)	(746,854)	448,083
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	5,000	5,000	7,751	2,751
Transfers In	3,000	3,000	0	(3,000)
Transfers Out	0	(165,000)	(155,000)	10,000
Advances In	0	95,000	10,000	(85,000)
Advances Out	0	(95,000)	0	95,000
<i>Total Other Financing Sources (Uses)</i>	8,000	(157,000)	(137,249)	19,751
<i>Net Change in Fund Balance</i>	(1,043,193)	(1,351,937)	(884,103)	467,834
<i>Fund Balance Beginning of Year</i>	2,392,508	2,392,508	2,392,508	0
Prior Year Encumbrances Appropriated	307,157	307,157	307,157	0
<i>Fund Balance End of Year</i>	\$1,656,472	\$1,347,728	\$1,815,562	\$467,834

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2005*

---

---

	Medical-Dental Insurance
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$529,109
<b>Current Liabilities</b>	
Claims Payable	182,572
<b>Net Assets</b>	
Unrestricted	\$346,537

---

---

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,604,109
<b>Operating Expenses</b>	
Purchased Services	325,635
Claims	1,188,617
<i>Total Operating Expenses</i>	1,514,252
<i>Operating Income</i>	89,857
<b>Non-Operating Revenues</b>	
Interest Income	6,866
<i>Change in Net Assets</i>	96,723
<i>Net Assets at Beginning of Year</i>	249,814
<i>Net Assets at End of Year</i>	\$346,537

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Cash Flows*

*Internal Service Fund*

*For the Fiscal Year Ended June 30, 2005*

	<u>Medical-Dental Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$1,604,109
Cash Payments to Suppliers for Services	(325,635)
Cash Payments for Claims	<u>(1,272,151)</u>
<i>Net Cash Provided by Operating Activities</i>	6,323
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>6,866</u>
<i>Net Increase in Cash and Cash Equivalents</i>	13,189
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>515,920</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$529,109</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$89,857
<b>Changes in Liabilities</b>	
Decrease in Claims Payable	<u>(83,534)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$6,323</u></u>

See accompanying notes to the basic financial statements



**West Muskingum Local School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2005*

---

---

<b>Assets</b>	
Cash and Cash Equivalents	<u><u>\$76,338</u></u>
<b>Liabilities</b>	
Due to Students	<u><u>\$76,338</u></u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 1 - Description of the School District and Reporting Entity**

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

The School District is the 290th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 75 classified employees, 124 certificated full-time teaching personnel, and 13 administrative employees who provide services to 1,887 students and other community members. The School District currently operates five instructional buildings and one administrative building.

*Reporting Entity*

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

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Mid-East Career and Technology Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses.

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

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

***B. Fund Accounting***

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

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

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

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

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

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

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

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2005, investments were limited to nonnegotiable certificates of deposit which are reported at cost and federal agency securities and money market mutual funds which are reported at fair value based on quoted market prices.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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 2005 amounted to \$137,748, which includes \$45,828 assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

***G. Inventory***

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

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

***H. Capital Assets***

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-40 years
Furniture and Fixtures	5-10 years
Vehicles	4 years

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

***I. Interfund Balances***

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

***J. Restricted Assets***

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

***K. Compensated Absences***

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

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

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

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

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

***M. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

***N. Fund Balance Reserves***

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

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

***O. Net Assets***

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

The government-wide statement of net assets reports \$2,006,443 of restricted net assets, of which \$1,239,406 is restricted by enabling legislation.

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

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

***P. Operating Revenues and Expenses***

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

***Q. Extraordinary and Special Items***

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

***R. Estimates***

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

***S. Budgetary Data***

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

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

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

***T. Unamortized Issuance Costs/ Bond Premium and Discount***

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

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

**Note 3 - Changes in Accounting Principle and Restatement of Fund Balance**

For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/ Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 5 "Deposits and Investments" for the required disclosures.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation affected the fund balances of governmental funds, but had no effect on net assets.

	General	Classroom Facilities ELPP Project	Debt Service	Other Governmental	Total Governmental Funds
Fund Balances, June 30, 2004	\$3,016,164	\$20,024,971	\$1,057,854	\$1,248,229	\$25,347,218
GASB Technical Bulletin 2004-02 Restatement	<u>(92,022)</u>	<u>0</u>	<u>0</u>	<u>(34,605)</u>	<u>(126,627)</u>
Restated Fund Balances, June 30, 2004	<u>\$2,924,142</u>	<u>\$20,024,971</u>	<u>\$1,057,854</u>	<u>\$1,213,624</u>	<u>\$25,220,591</u>

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$427,345)
Net Adjustment for Revenue Accruals	(5,244)
Net Adjustment for Expenditure Accruals	(35,460)
Beginning of Fiscal Year:	
Unrecorded Cash	5,991
Prepaid Items	17,393
End of Fiscal Year:	
Unrecorded Cash	(49,045)
Prepaid Items	(38,838)
Advances In	10,000
Adjustment for Encumbrances	<u>(361,555)</u>
Budget Basis	<u><u>(\$884,103)</u></u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 5 - Deposits and Investments**

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

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

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

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

Interim monies held by the School District can 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,720,909 of the School District's bank balance of \$6,220,909 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments:** As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Note	\$502,566	7/29/2005
Federal Home Loan Bank Note	991,652	12/23/2005
Federal Home Loan Bank Note	1,994,070	1/30/2006
Federal National Mortgage Association Note	1,492,028	11/29/2005
Federal Home Loan Mortgage Corporation Discount Note	1,555,444	3/7/2006
Federal Home Loan Mortgage Corporation Discount Note	963,468	3/27/2006
Federal National Mortgage Association Discount Note	1,038,232	7/20/2005
Federal National Mortgage Association Discount Note	976,500	2/24/2006
Money Market Mutual Fund	8,374	1 Day
Treasury Note	<u>100,000</u>	5/31/2006
Total	<u><u>\$9,622,334</u></u>	

Interest Rate Risk

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

Credit Risk

The Federal Home Loan Bank Notes, the Federal National Mortgage Association Note, the Federal Home Loan Mortgage Corporation Discount Notes, the Federal National Mortgage Association Discount Notes, and the Treasury Note carry a rating of AAA by Standard and Poor's. The Money Market Mutual Fund carries a rating of AAAM by Standard and Poor's. The School District has no investment policy that would further limit its investment choices.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, the Federal National Mortgage Association Note, the Federal Home Loan Mortgage Corporation Discount Notes, the Federal National Mortgage Association Discount Notes, and the Treasury Note are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 36% is invested in Federal Home Loan Bank Notes, 16% is invested in Federal National Mortgage Association Notes, 26% is invested in Federal Home Loan Mortgage Corporation Discount Notes, and 21% is invested in Federal National Mortgage Association Discount Notes.

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2004, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2005 tangible personal property tax settlement from Licking County was not received until July of 2005.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

The School District receives property taxes from Muskingum and Licking County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property, public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late June personal property tax settlement were levied to finance current fiscal year operations. The amount available as an advance at June 30, 2005, was \$2,238,303. \$1,731,237 was available to the General Fund and \$507,066 was available to the Debt Service Fund. The amount of the late June personal property tax settlement was \$3,032 in the General Fund and \$488 in the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$218,232,150	87.15%	\$223,472,530	87.79%
Public Utility Personal	8,879,470	3.54%	8,792,280	3.46%
Tangible Personal Property	23,308,164	9.31%	22,278,280	8.75%
<b>Total</b>	<b>\$250,419,784</b>	<b>100.00%</b>	<b>\$254,543,090</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$47.20		\$47.20	

**Note 7 - Receivables**

Receivables at June 30, 2005, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, interfund, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
CAFS Reimbursement	\$3,119
School Lunch Reimbursement	2,148
Title VI-B	63,088
Chapter I	83,291
Title II-A	5,181
<b>Total</b>	<u>\$156,827</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$259,912	\$5,000	\$0	\$264,912
Construction in Progress	<u>3,521,413</u>	<u>11,102,771</u>	<u>0</u>	<u>14,624,184</u>
Total Non-Depreciable Capital Assets	<u>3,781,325</u>	<u>11,107,771</u>	<u>0</u>	<u>14,889,096</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	5,995	0	0	5,995
Building and Improvements	5,981,789	0	0	5,981,789
Furniture and Equipment	1,182,859	25,433	0	1,208,292
Vehicles	<u>1,425,624</u>	<u>189,944</u>	<u>(193,759)</u>	<u>1,421,809</u>
Total at Historical Cost	<u>8,596,267</u>	<u>215,377</u>	<u>(193,759)</u>	<u>8,617,885</u>
Less Accumulated Depreciation				
Land Improvements	(1,374)	(300)	0	(1,674)
Buildings and Improvements	(4,217,690)	(116,565)	0	(4,334,255)
Furniture and Equipment	(591,043)	(121,675)	0	(712,718)
Vehicles	<u>(1,180,155)</u>	<u>(125,815)</u>	<u>193,759</u>	<u>(1,112,211)</u>
Total Accumulated Depreciation	<u>(5,990,262)</u>	<u>(364,355) *</u>	<u>193,759</u>	<u>(6,160,858)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>2,606,005</u>	<u>(148,978)</u>	<u>0</u>	<u>2,457,027</u>
Governmental Activities Capital Assets, Net	<u>\$6,387,330</u>	<u>\$10,958,793</u>	<u>\$0</u>	<u>\$17,346,123</u>

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

Instruction:	
Regular	\$149,773
Special	19,297
Vocational	3,579
Support Services:	
Pupil	243
Instructional Staff	9,776
Administration	11,248
Operation of Maintenance and Plant	23,520
Pupil Transportation	119,254
Extracurricular	12,215
Food Service Operations	<u>15,450</u>
Total Depreciation Expense	<u>\$364,355</u>



**West Muskingum Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

---

**Note 9 - Interfund Transfers and Balances**

Transfers made during fiscal year 2005 were \$155,000 from the General Fund. \$120,000 went to the Permanent Improvement Capital Projects Fund for emergency repairs, and \$35,000 to the Technology Capital Projects Fund for replacing computers.

Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$1,231	\$0
Other Governmental Funds:		
Miscellaneous Local Funds	0	1,231
Total	\$1,231	\$1,231

Miscellaneous Local Funds owe the General Fund for reimbursement of expenditures made from the General Fund for transportation services totaling \$1,231.

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Reed and Baur Insurance Agency, through Indiana Insurance, for property, fleet and automobile insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$24,924,852
Steam Boiler (\$5,000 deductible)	24,552,352
Extra Expense (\$1,000 deductible)	10,000
Inland Marine Coverage (\$1,000 deductible)	1,436,621
Tractors and Mowers (\$1,000 deductible)	39,800
Radios, Cameras, and VCRS (\$250 deductible)	30,100
Uniforms and Athletic Equipment	50,000
Musical Instruments	50,000
Cameras, Projection Machines, Films	50,000
Fine Arts	50,000
Signs	10,000
Automobile Liability (\$500 deductible)	2,000,000
Uninsured Motorists (\$500 deductible)	1,000,000

During fiscal year 2005, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17)

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

General Liability	
Per occurrence	\$1,000,000
Aggregate Per Year	3,000,000
Fire Damage	500,000
Medical Expense	10,000
Employee Benefits Liability	1,000,000
Employer's Liability	1,000,000
Errors and Omissions Injury Limit (\$2,500 deductible)	1,000,000
Aggregate Per Year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2005.

***B. Worker's Compensation***

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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 the GRP.

***C. Employee Medical Benefits***

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$182,572 reported in the Internal Service Fund at June 30, 2005, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$35,000 annually.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

Changes in the fund's claims liability amount in fiscal years 2004 and 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$189,688	\$998,318	\$921,900	\$266,106
2005	266,106	1,188,617	1,272,151	182,572

**Note 11 - Employee Benefits**

***A. Compensated Absences***

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

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

***B. Insurance***

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

***C. Retirement Incentive***

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

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

During fiscal year 2005, the School District accrued \$14,000 in retirement incentives at June 30, 2005. The School District paid \$28,000 for retirement incentives during fiscal year 2005.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$187,611, \$154,564, and \$127,207, respectively; 50 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$93,365 representing the unpaid contribution for fiscal year 2005 is recorded as a liability in the respective funds.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits, 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 Ohio issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$823,149, \$837,109, and \$707,561 respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. Contributions for the DC and CP Plans for the fiscal year ended June 30, 2005, were \$11,800 made by the School District and \$25,072 made by plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

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

STRS Ohio retirees who participated in the DB or Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$63,319 for fiscal year 2005.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established as \$27,400. However, the surcharge is capped at 2 percent of each employee's SERS salaries. For the 2005 fiscal year, the School District paid \$86,930 to fund health care benefits, including the surcharge.

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, 2004, (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

**Note 14 - Capitalized Leases**

The School District has entered into capitalized leases for fitness equipment, copiers, and a tractor. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	General Long-Term Obligations
2006	\$116,387
2007	56,788
2008	37,632
2009	31,360
Total Minimum Lease Payments	242,167
Less: Amount Representing Interest	(20,061)
Present Value of Minimum Lease Payments	<u>\$222,106</u>

The equipment was originally capitalized in the amount of \$392,810. This amount represents the present value of the minimum lease payments at the time of acquisition. The accumulated depreciation as of June 30, 2005, was \$144,156. Principal payments in fiscal year 2005 totaled \$104,534 in the governmental funds.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/2004	Additions	Reductions	Principal Outstanding 6/30/2005	Amounts Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
School Facilities Construction and Improvements					
Serial Bonds - \$4,735,000 - 2.00% - 3.60%	4,335,000	\$0	\$380,000	\$3,955,000	\$410,000
Term Bonds - \$19,215,000 - 4.00% - 5.00%	19,215,000	0	0	19,215,000	0
Serial/Term Bonds Bond Premium	495,966	0	18,599	477,367	0
Serial/Term Bond Discount	(90,974)	0	(3,412)	(87,562)	0
<b>Total General Obligation Bonds</b>	<b>23,954,992</b>	<b>0</b>	<b>395,187</b>	<b>23,559,805</b>	<b>410,000</b>
Capital Leases	326,640	0	104,534	222,106	106,587
Compensated Absences Payable	761,926	13,603	120,854	654,675	97,175
Retirement Incentive Payable	28,000	14,000	28,000	14,000	14,000
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<u>\$25,071,558</u>	<u>\$27,603</u>	<u>\$648,575</u>	<u>\$24,450,586</u>	<u>\$627,762</u>

On March 10, 2003, the School District issued \$23,950,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amounts of \$4,735,000 and \$19,215,000, respectively. The bonds will be retired from the Debt Service Fund. The serial and a portion of the term bonds were sold at a premium of \$520,765, with a portion of the term bonds being sold at a discount of \$95,523. Issuance costs associated with the bond issue were \$274,552 and are deferred. The fiscal year 2005, issuance costs of \$9,805 were amortized. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030. In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new buildings. The School District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every five years for the term of the bonds.

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

Year	Principal Amount to be Redeemed
2009	\$350,000

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

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

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

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

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

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

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

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

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

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

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



**West Muskingum Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

---

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

Principal and interest requirements to retire the long-term general obligation bonds outstanding at June 30, 2005, are as follows:

Fiscal Year	Principal	Interest	Total
2006	\$410,000	\$1,034,286	\$1,444,286
2007	445,000	1,025,736	1,470,736
2008	545,000	1,015,155	1,560,155
2009	585,000	1,001,346	1,586,346
2010	350,000	985,793	1,335,793
2011-2015	2,360,000	4,678,319	7,038,319
2016-2020	3,570,000	4,101,530	7,671,530
2021-2025	5,325,000	3,033,005	8,358,005
2026-2030	7,685,000	1,474,614	9,159,614
2031	1,895,000	47,375	1,942,375
Totals	\$23,170,000	\$18,397,159	\$41,567,159

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General, Food Service and Federal Grant Funds. Retirement incentives will be paid from the General Fund.

The School District's overall legal debt margin at June 30, 2005, was \$10,944,741, with an unvoted debt margin of \$371,662. The School District was approved as a special needs district by the Ohio Department of Education. This approval was granted based on projected tax valuation growth figures submitted by the School District to the Ohio Department of Education which is used to calculate the legal debt margin. The approval of the School District as a special needs district enabled them to issue the 2003 School Facilities Construction and Improvement bonds.

**Note 16- Jointly Governed Organizations**

***A. Licking Area Computer Association***

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists.

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2005 were \$116,057. Financial statements for LACA can be obtained from their fiscal agent the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

***B. Mid-East Career and Technology Center***

The Mid-East Career and Technology Center is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2005 the School District made no contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

**Note 17 - Insurance Purchasing Pools**

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

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

***B. Ohio School Plan***

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

**Note 18 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

***B. Litigation***

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**Note 19 - Set Asides**

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

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	(\$188,737)	(\$2,281,865)	\$50,193
Current Year Set-aside Requirement	265,204	265,204	0
Current Year Offsets	0	(1,686,368)	0
Qualifying Disbursements	<u>(278,320)</u>	<u>(79,785)</u>	<u>0</u>
Total	<u>(\$201,853)</u>	<u>(\$3,782,814)</u>	<u>\$50,193</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$201,853)</u>	<u>(\$3,782,814)</u>	<u>\$50,193</u>

The School District had qualifying disbursements and offsets during the fiscal year that further reduced the textbook and capital improvements set-aside amounts below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements of future years. The excess monies from transfers from the General Fund to the Permanent Improvement Capital Projects Fund and the tax levy receipts in the current and previous fiscal years may be used to reduce the capital set-aside in future fiscal years.

**Note 20 -Contractual Obligations**

As of June 30, 2005, the School District had contractual purchase commitments for several projects. The amount for each contractor is as follows:

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

Contractor	Fund	Purchase Commitments	Amounts Paid as of 06/30/2005	Amounts Remaining on Contracts
Luburgh, Inc.	Classroom Facilities ELPP Project	\$1,836,540	\$1,540,990	\$295,550
Claggett and Sons	Classroom Facilities ELPP Project	8,476,411	5,013,739	3,462,672
Merriam Roofing	Classroom Facilities ELPP Project	278,609	0	278,609
Saup/Hartley	Classroom Facilities ELPP Project	381,840	365,884	15,956
Modern Glass, Inc.	Classroom Facilities ELPP Project	184,758	112,306	72,452
Farnham	Classroom Facilities ELPP Project	598,437	386,307	212,130
Capital Equipment	Classroom Facilities ELPP Project	147,800	0	147,800
BrySCO Food Service	Classroom Facilities ELPP Project	213,748	0	213,748
C&T Design	Classroom Facilities ELPP Project	253,717	206,337	47,380
Gutridge Plumbing, Inc.	Classroom Facilities ELPP Project	311,350	161,052	150,298
Houston Plumbing & Heating, Inc.	Classroom Facilities ELPP Project	1,103,805	513,712	590,093
Howard's Sheet Metal	Classroom Facilities ELPP Project	3,282,886	1,808,849	1,474,037
Claypool Electric	Classroom Facilities ELPP Project	2,322,526	1,390,994	931,532
ADC Info Tech	Classroom Facilities ELPP Project	186,080	0	186,080
Sun Technologies	Classroom Facilities ELPP Project	105,626	85,695	19,931
Stewart's Security, Inc.	Classroom Facilities ELPP Project	53,647	48,205	5,442
Sota Technologies, Inc.	Classroom Facilities ELPP Project	85,516	19,068	66,448
Thomas W. Ruff & Company	Classroom Facilities ELPP Project	134,301	93,182	41,119
Tom Sexton & Associates	Classroom Facilities ELPP Project	30,274	0	30,274
Firestone, Jaros & Mullen	Classroom Facilities ELPP Project	845,950	796,417	49,533
Project & Construction Services, Inc.	Classroom Facilities ELPP Project	873,106	626,622	246,484
Total		<u>\$21,706,927</u>	<u>\$13,169,359</u>	<u>\$8,537,568</u>

**Note 21 – Subsequent Event**

On August 25, 2005 the School District entered into a lease-purchase agreement in the amount of \$1,800,000 with the OASBO Expanded Asset Pooled Financing Program to construct, renovate, improve, furnish, and equip an addition to the District's existing middle school.

**Note 22 – Accountability**

The following funds had deficit fund balances at June 30, 2005.

<u>Special Revenue Funds</u>	<u>Deficit Fund Balances</u>
Federal Grants Fund	\$11,307
Title I Fund	2,657

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

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation Program	10.550	N/A	\$0	\$36,234	\$0	\$36,234
School Breakfast Program	10.553	48884-05PU-05	33,802		33,802	
National School Lunch Program	10.555	48884-LLP4-05	154,937		154,937	
Total Nutrition Cluster			<u>188,739</u>	<u>36,234</u>	<u>188,739</u>	<u>36,234</u>
Total United States Department of Agriculture			188,739	36,234	188,739	36,234
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	048884-C1S1-04	40,771		121,465	
	84.010	048884-C1S1-05	481,905		475,531	
Total Title I Grants			<u>522,676</u>	<u>0</u>	<u>596,996</u>	<u>0</u>
Special Education Grants to States	84.027	048884-6BPB-05	25,000		24,294	
	84.027	048884-6BSD-04P	(217)		3,503	
	84.027	048884-6BSD-05	18,750		18,750	
	84.027	048884-6BSF-04	44,272		50,363	
	84.027	048884-6BSF-05	284,602		267,881	
Total Special Education Grants			<u>372,407</u>	<u>0</u>	<u>364,791</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	048884-DRS1-05	15,169		14,875	
Innovative Education Program Strategies	84.298	048884-C2S1-04			156	
	84.298	048884-C2S1-05	7,927		7,794	
Total Innovative Education Program Strategies			<u>7,927</u>	<u>0</u>	<u>7,950</u>	<u>0</u>
Technology Literacy Challenge Fund Grants	84.318	048884-TJS1-04	(58)		776	
	84.318	048884-TJS1-05	15,084		15,084	
Total Technology Literacy Challenge Fund Grants			<u>15,026</u>	<u>0</u>	<u>15,860</u>	<u>0</u>
Rural Education Grant	84.358	048884-RUS1-04			9,595	
Improving Teacher Quality State Grants	84.367	048884-TRS1-04	14,464		15,408	
	84.367	048884-MSS1-05	114,379		113,416	
Total Improving Teacher Quality State Grants			<u>128,843</u>	<u>0</u>	<u>128,824</u>	<u>0</u>
Total United States Department of Education			1,062,048	0	1,138,891	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Health Insurance Program	93.767	N/A	478		478	
Medical Assistance Program - CAFS	93.778	N/A	5,843		5,843	
Total United States Department of Health and Human Services			<u>6,321</u>	<u>0</u>	<u>6,321</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u><b>\$1,257,108</b></u>	<u><b>\$36,234</b></u>	<u><b>\$1,333,951</b></u>	<u><b>\$36,234</b></u>

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

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B—CHILD NUTRITION CLUSTER**

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

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

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

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

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

**Betty Montgomery**  
Auditor of State

January 25, 2006





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of West Muskingum Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

The School District's management 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 directly and materially affect a major federal program 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

West Muskingum Local School District  
Muskingum County  
Independent Accountants' Report on Compliance with Requirements Applicable to  
Each Major Federal Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation what we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

January 25, 2006

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MARCH 30, 2006**