



Mary Taylor, CPA
Auditor of State

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan Local School District, Morgan County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan Local School District, Morgan County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2009, 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 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 whole.

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

Mary Taylor, CPA
Auditor of State

February 11, 2009

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Morgan Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- Net assets of governmental activities increased \$21,525,819.
- General revenues accounted for \$39,587,684 in revenue or 89% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,027,985 or 11% of total revenues of \$44,615,669.
- Total assets of governmental activities increased \$21,233,345 due mostly to the increases in cash and cash equivalents, intergovernmental receivables, and capital assets.
- The School District had \$23,089,850 in expenses related to governmental activities; only \$5,027,985 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$39,587,684 were adequate to provide for these programs.
- The School District's three major funds were the General Fund, the Bond Retirement Debt Service Fund, and the School Facilities Capital Project Fund. The General Fund had \$18,488,961 in revenues and \$18,431,367 in expenditures. The General Fund's balance decreased \$10,719. The Bond Retirement Debt Service Fund had \$1,120,213 in revenues and \$1,033,701 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$158,679. The School Facilities Capital Project Fund had \$6,892,064 in revenues and \$1,671,392 in expenditures. The School Facilities Capital Projects Fund increased \$8,102,784.

Using this Annual Financial Report

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

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

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds All 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.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 1
 Net Assets

	Governmental Activities		
	2008	2007	Change
Assets			
Current and Other Assets	\$37,023,327	\$17,095,128	\$19,928,199
Capital Assets	24,728,785	23,423,639	1,305,146
Total Assets	61,752,112	40,518,767	21,233,345
Liabilities			
Long-term Liabilities	12,456,676	9,325,260	3,131,416
Other Liabilities	7,536,067	10,959,957	(3,423,890)
Total Liabilities	19,992,743	20,285,217	(292,474)
Net Assets			
Invested in Capital Assets, Net of Debt	16,181,078	15,809,414	371,664
Restricted	23,222,613	2,455,078	20,767,535
Unrestricted	2,355,678	1,969,058	386,620
Total Net Assets	\$41,759,369	\$20,233,550	\$21,525,819

Total assets increased \$21,233,345. Cash and cash equivalents, intergovernmental receivables and capital assets increased \$5,526,068, \$14,294,227, and \$1,305,146, respectively. The increase in cash is the result of additional state funding, investment income, indirect cost expense recovery, and a tuition payment. The increase in intergovernmental receivables was due mainly to the recording of a \$14,458,724 receivable that is associated with the School District's Ohio School Facilities Project. As of June 30, 2008, the School District had drawn \$6,676,761 for construction associated with the High School project. The primary cause for increased capital assets is the increase in the amount of construction in progress being recorded in connection with the Ohio School Facilities Project.

Other liabilities decreased \$3,423,890 mainly due to the repayment of a \$3,600,000 bond anticipation note that was issued in fiscal year 2007 and a decrease of \$325,447 in claims payable based on a smaller estimate provided by the actuarial for fiscal year 2008 compared to fiscal year 2007. These decreases were offset by increases of \$359,615 in deferred revenue, \$97,048 in contracts payable, and \$99,259 in accrued interest payable. The increase in deferred revenue was due to the amounts that were certified by the County Auditor for property taxes. The increase in contracts payable was due to the School District participating in the Ohio School Facilities Program and the increase in accrued interest payable is due to the School District issuing \$3,600,000 in construction and improvement bonds during fiscal year 2008. Long-term liabilities increased \$3,131,416 mainly due to the School District issuing \$3,600,000 in construction and improvement bonds for the Ohio School Facilities Project. This increase was offset due to repayments of debt and capital leases for the amount of \$596,979.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008.

Table 2
 Changes in Net Assets
 Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services	\$726,885	\$713,926	\$12,959
Operating Grants, Contributions and Interest	4,239,617	4,444,260	(204,643)
Capital Grants and Contributions	61,483	82,012	(20,529)
Total Program Revenues	<u>5,027,985</u>	<u>5,240,198</u>	<u>(212,213)</u>
General Revenues			
Property Taxes	4,569,463	4,954,908	(385,445)
Grants and Entitlements	34,330,892	13,328,038	21,002,854
Investment Earnings	553,124	349,222	203,902
Miscellaneous	123,709	184,704	(60,995)
Rent	892	794	98
Gain on Sale of Capital Assets	9,604	0	9,604
Total General Revenues	<u>39,587,684</u>	<u>18,817,666</u>	<u>20,770,018</u>
Total Revenues	<u>44,615,669</u>	<u>24,057,864</u>	<u>20,557,805</u>
Program Expenses			
Instruction:			
Regular	9,354,520	9,219,804	134,716
Special	2,301,145	2,356,822	(55,677)
Vocational	949,678	884,287	65,391
Adult/Continuing	974	440	534
Intervention	316,003	464,181	(148,178)
Support Services:			
Pupils	731,111	696,091	35,020
Instructional Staff	752,627	908,241	(155,614)
Board of Education	86,216	55,104	31,112
Administration	1,884,146	1,853,224	30,922
Fiscal	641,812	556,676	85,136
Business	210,582	193,748	16,834
Operation and Maintenance of Plant	1,639,056	2,051,775	(412,719)
Pupil Transportation	1,976,020	1,898,736	77,284
Central	179,654	155,514	24,140
Operation of Non-Instructional Services:			
Food Service Operations	1,140,417	1,084,852	55,565
Other	0	18,381	(18,381)
Extracurricular Activities	263,587	266,166	(2,579)
Interest and Fiscal Charges	662,302	386,867	275,435
Total Expenses	<u>23,089,850</u>	<u>23,050,909</u>	<u>38,941</u>
Increase in Net Assets	21,525,819	1,006,955	20,518,864
Net Assets Beginning of Year	20,233,550	19,226,595	1,006,955
Net Assets End of Year	<u>\$41,759,369</u>	<u>\$20,233,550</u>	<u>\$21,525,819</u>

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

During fiscal year 2008, the School District saw an increase in unrestricted grants. Unrestricted grants reflect an increase due to Parity Aid, Poverty Based Assistance (PBA), and GAP Aid. The School District receives substantial funding from the State (87%) due to the depressed economic condition of the area. In addition, the increase in grants and entitlements is also due to the recording of the receivable in the amount of \$14,458,724 in connection with the Ohio School Facilities Project.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 10% of revenues for governmental activities for the School District in fiscal year 2008.

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

Table 3
 Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program Expenses				
Instruction:				
Regular	\$9,354,520	\$8,445,658	\$9,219,804	\$8,071,981
Special	2,301,145	508,645	2,356,822	836,509
Vocational	949,678	917,065	884,287	841,694
Adult	974	974	440	440
Intervention	316,003	(25,866)	464,181	(55,000)
Support Services:				
Pupils	731,111	697,519	696,091	623,190
Instructional Staff	752,627	511,674	908,241	511,912
Board of Education	86,216	86,216	55,104	55,104
Administration	1,884,146	1,798,961	1,853,224	1,730,459
Fiscal	641,812	593,803	556,676	509,354
Business	210,582	202,786	193,748	186,070
Operation and Maintenance of Plant	1,639,056	1,544,954	2,051,775	1,971,018
Pupil Transportation	1,976,020	1,736,299	1,898,736	1,683,825
Central	179,654	152,229	155,514	141,627
Operation of Non-Instructional Services:				
Food Service Operations	1,140,417	45,113	1,084,852	114,431
Other	0	0	18,381	18,381
Extracurricular Activities	263,587	183,533	266,166	182,849
Interest and Fiscal Charges	662,302	662,302	386,867	386,867
Total	<u><u>\$23,089,850</u></u>	<u><u>\$18,061,865</u></u>	<u><u>\$23,050,909</u></u>	<u><u>\$17,810,711</u></u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2008, approximately 76% of instructional activities were supported through taxes and other general revenues.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$18,488,961 and expenditures of \$18,431,367. The General Fund's balance decreased \$10,719. The School District remains financially cautious. The economic condition within the School District would indicate the passage of an operating levy is highly unlikely.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$18,570,959, above final estimates of \$18,064,838. The \$506,121 difference was due to a slight increase in foundation funding and an increase in other local revenue. Original estimates of \$18,049,838 were increased \$15,000.

The School District's ending unobligated General Fund balance was \$3,377,850.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$24,728,785 invested in land, land improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$348,164	\$310,164
Land Improvements	280,532	286,138
Construction in Progress	1,619,130	22,362
Buildings and Improvements	21,234,528	21,453,840
Furniture and Equipment	591,950	708,264
Vehicles	654,481	642,871
Totals	\$24,728,785	\$23,423,639

See Note 9 to the basic financial statements for more information on capital assets.

Morgan Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Debt

At June 30, 2008, the School District had \$11,104,118 in bonds, notes, and capital leases outstanding.

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2008	2007
1997 Energy Conservation Notes	\$0	\$42,307
2000 Energy Conservation Notes	453,007	499,750
2007 Bond Anticipation Notes	0	3,600,000
1998 School Bus Acquisition Bonds	350,000	400,000
1999 School Bus Acquisition Bonds	255,000	290,000
2000 School Facilities Construction and Improvement Bonds	2,271,415	2,441,423
2006 School Facilities Construction and Improvement Refunding Bonds	4,084,925	4,127,053
2007 School Facilities Construction and Improvement Bonds	3,677,717	0
Ohio Department of Education Loans	207,960	280,970
Capital Leases	104,094	134,013
Totals	\$11,404,118	\$11,815,516

See Note 17 to the basic financial statements for more information on debt.

Current Issues

Over the past several years, the School District has controlled spending levels to build a cash balance. The School District receives approximately 10% of its funding from local initiatives and the rest from state and federal monies. The School District does not expect any additional revenue from any of these sources in the near future.

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

Contacting the School District's Financial Management

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

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Morgan Local School District, Ohio

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$16,369,161
Cash and Cash Equivalents in Segregated Accounts	253
Materials and Supplies Inventory	37,661
Intergovernmental Receivable	14,941,962
Prepaid Items	42,026
Accounts Receivable	2,862
Property Taxes Receivable	5,482,989
Deferred Charges	146,413
Nondepreciable Capital Assets	1,967,294
Depreciable Capital Assets, Net	<u>22,761,491</u>
<i>Total Assets</i>	<u>61,752,112</u>
Liabilities	
Accounts Payable	133,611
Contracts Payable	119,410
Accrued Wages and Benefits Payable	1,763,689
Accrued Interest Payable	127,821
Matured Compensated Absences Payable	75,209
Vacation Benefits Payable	53,452
Intergovernmental Payable	576,090
Deferred Revenue	4,473,926
Claims Payable	212,859
Long-Term Liabilities:	
Due Within One Year	644,978
Due In More Than One Year	<u>11,811,698</u>
<i>Total Liabilities</i>	<u>19,992,743</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	16,181,078
Restricted for:	
Debt Service	579,884
Capital Projects	21,511,499
Budget Stabilization	76,683
Textbooks	236,613
Bus Purchase	285,706
Library Materials:	
Expendable	1,144
Nonexpendable	5,000
Other Purposes	526,084
Unrestricted	<u>2,355,678</u>
<i>Total Net Assets</i>	<u>\$41,759,369</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants,		
			Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$9,354,520	\$225,245	\$683,617	\$0	(\$8,445,658)
Special	2,301,145	404	1,792,096	0	(508,645)
Vocational	949,678	17,472	15,141	0	(917,065)
Adult	974	0	0	0	(974)
Intervention	316,003	0	341,869	0	25,866
Support Services:					
Pupils	731,111	0	33,592	0	(697,519)
Instructional Staff	752,627	2,020	238,933	0	(511,674)
Board of Education	86,216	0	0	0	(86,216)
Administration	1,884,146	80	85,105	0	(1,798,961)
Fiscal	641,812	0	48,009	0	(593,803)
Business	210,582	0	7,796	0	(202,786)
Operation and Maintenance of Plant	1,639,056	0	94,102	0	(1,544,954)
Pupil Transportation	1,976,020	44,551	143,487	51,683	(1,736,299)
Central	179,654	0	27,425	0	(152,229)
Operation of Non-Instructional Services:					
Food Service Operations	1,140,417	366,859	728,445	0	(45,113)
Extracurricular Activities	263,587	70,254	0	9,800	(183,533)
Interest and Fiscal Charges	662,302	0	0	0	(662,302)
Totals	\$23,089,850	\$726,885	\$4,239,617	\$61,483	(18,061,865)
			General Revenues		
			Property Taxes Levied for:		
			General Purposes		3,442,793
			Debt Service		983,575
			Classroom Facilities Maintenance		143,095
			Grants and Entitlements not Restricted to Specific Programs		34,330,892
			Investment Earnings		553,124
			Gain on Sale of Capital Assets		9,604
			Rent		892
			Miscellaneous		123,709
			Total General Revenues		39,587,684
			Change in Net Assets		21,525,819
			Net Assets Beginning of Year		20,233,550
			Net Assets End of Year		\$41,759,369

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2008

	General Fund	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,293,121	\$614,689	\$8,619,396	\$1,012,635	\$13,539,841
Cash and Cash Equivalents in Segregated Accounts	0	0	0	253	253
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	580,071	0	0	0	580,071
Receivables:					
Property Taxes	4,185,169	1,059,769	0	238,051	5,482,989
Accounts	2,598	0	0	264	2,862
Intergovernmental	29,037	0	14,458,724	454,201	14,941,962
Interfund	95,113	0	0	0	95,113
Prepaid Items	35,059	0	32,473	432	67,964
Materials and Supplies Inventory	20,577	0	0	17,084	37,661
Total Assets	\$8,240,745	\$1,674,458	\$23,110,593	\$1,722,920	\$34,748,716
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$106,181	\$0	\$1,910	\$25,520	\$133,611
Contracts Payable	0	0	119,308	102	119,410
Accrued Wages and Benefits Payable	1,480,813	0	0	282,876	1,763,689
Interfund Payable	0	0	0	95,113	95,113
Matured Compensated Absences Payable	66,396	0	0	8,813	75,209
Intergovernmental Payable	487,230	0	0	88,860	576,090
Deferred Revenue	3,859,690	994,346	14,433,493	659,738	19,947,267
Total Liabilities	6,000,310	994,346	14,554,711	1,161,022	22,710,389
Fund Balances					
Reserved for Encumbrances	403,020	0	2,000,258	89,897	2,493,175
Reserved for Textbooks	236,613	0	0	0	236,613
Reserved for Budget Stabilization	76,683	0	0	0	76,683
Reserved for Property Taxes	325,479	65,423	0	13,047	403,949
Reserved for Bus Purchase	285,706	0	0	0	285,706
Reserved for Endowment	0	0	0	5,000	5,000
Unreserved:					
Undesignated, Reported in:					
General Fund	912,934	0	0	0	912,934
Special Revenue Funds (Deficits)	0	0	0	(46,410)	(46,410)
Debt Service Fund	0	614,689	0	0	614,689
Capital Projects Funds	0	0	6,555,624	499,220	7,054,844
Permanent Fund	0	0	0	1,144	1,144
Total Fund Balances	2,240,435	680,112	8,555,882	561,898	12,038,327
Total Liabilities and Fund Balances	\$8,240,745	\$1,674,458	\$23,110,593	\$1,722,920	\$34,748,716

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances		\$12,038,327
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,728,785
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes Receivable	605,114	
Grants Receivable	434,734	
Intergovernmental Receivable	14,433,493	15,473,341
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		2,010,452
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		146,413
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(127,821)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(53,452)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(10,034,057)	
Energy Conservation Notes Payable	(453,007)	
Bus Purchase Bonds Payable	(605,000)	
Loans Payable	(207,960)	
Capital Lease Payable	(104,094)	
Sick Leave Benefits Payable	(1,052,558)	(12,456,676)
Net Assets of Governmental Activities		\$41,759,369

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General Fund	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$3,633,233	\$1,022,047	\$0	\$150,699	\$4,805,979
Intergovernmental	14,154,521	98,166	6,701,992	3,278,461	24,233,140
Investment Earnings	335,465	0	190,072	27,687	553,224
Customer Services	44,147	0	0	366,859	411,006
Tuition and Fees	214,856	0	0	30,769	245,625
Extracurricular Activities	0	0	0	70,254	70,254
Gifts and Donations	0	0	0	47,043	47,043
Rent	892	0	0	0	892
Miscellaneous	105,847	0	0	17,862	123,709
<i>Total Revenues</i>	<u>18,488,961</u>	<u>1,120,213</u>	<u>6,892,064</u>	<u>3,989,634</u>	<u>30,490,872</u>
Expenditures					
Current:					
Instruction:					
Regular	8,591,160	0	0	746,951	9,338,111
Special	1,481,289	0	0	822,302	2,303,591
Vocational	929,947	0	0	37,308	967,255
Adult	974	0	0	0	974
Intervention	0	0	0	331,023	331,023
Support Services:					
Pupils	657,626	0	0	43,261	700,887
Instructional Staff	471,834	0	0	246,114	717,948
Board of Education	86,216	0	0	0	86,216
Administration	1,648,760	0	0	117,830	1,766,590
Fiscal	546,781	34,602	0	51,104	632,487
Business	167,392	0	0	36,051	203,443
Operation and Maintenance of Plant	1,490,719	0	0	112,645	1,603,364
Pupil Transportation	1,973,382	0	0	72,336	2,045,718
Central	160,306	0	0	18,657	178,963
Operation of Non-Instructional Services	0	0	0	1,115,349	1,115,349
Extracurricular Activities	175,438	0	0	74,313	249,751
Capital Outlay	8,772	0	1,615,684	438,309	2,062,765
Debt Service:					
Principal Retirement	29,919	567,060	0	0	596,979
Interest and Fiscal Charges	10,852	359,872	55,708	15,168	441,600
Bond Issuance Costs	0	72,167	0	0	72,167
<i>Total Expenditures</i>	<u>18,431,367</u>	<u>1,033,701</u>	<u>1,671,392</u>	<u>4,278,721</u>	<u>25,415,181</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>57,594</u>	<u>86,512</u>	<u>5,220,672</u>	<u>(289,087)</u>	<u>5,075,691</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	2,882,112	717,888	3,600,000
Premium on Bonds Issued	0	72,167	0	0	72,167
Proceeds from Sale of Capital Assets	9,604	0	0	0	9,604
Transfers In	0	0	0	77,917	77,917
Transfers Out	(77,917)	0	0	0	(77,917)
<i>Total Other Financing Sources (Uses)</i>	<u>(68,313)</u>	<u>72,167</u>	<u>2,882,112</u>	<u>795,805</u>	<u>3,681,771</u>
<i>Net Change in Fund Balance</i>	(10,719)	158,679	8,102,784	506,718	8,757,462
<i>Fund Balances Beginning of Year</i>	<u>2,251,154</u>	<u>521,433</u>	<u>453,098</u>	<u>55,180</u>	<u>3,280,865</u>
<i>Fund Balances End of Year</i>	<u>\$2,240,435</u>	<u>\$680,112</u>	<u>\$8,555,882</u>	<u>\$561,898</u>	<u>\$12,038,327</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$8,757,462

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

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

Capital Asset Additions	2,362,114	
Capital Contributions	9,800	
Depreciation Expense	<u>(1,066,768)</u>	1,305,146

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

Grants	(91,584)	
Delinquent Taxes	(236,516)	
Intergovernmental - Ohio School Facilities	<u>14,433,493</u>	14,105,393

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 596,979

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

Premium on Bonds	(72,167)	
General Obligation Bonds	<u>(3,600,000)</u>	(3,672,167)

Issuance costs are reported as an expenditures when paid in the governmental funds, but is deferred and amortized on the statements of activities. This is the unamortized issuance costs on the bonds. 72,167

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

Bond Premiums	42,684	
Annual Accretion	(135,485)	
Amortization of Issuance Costs	(7,145)	
Amortization of Deferred Amount on Refunding	(18,089)	
Amortization of Discount	(2,524)	
Interest Payable	<u>(100,143)</u>	(220,702)

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

Vacation Benefits Payable	(9,852)	
Sick Leave Benefits Payable	<u>57,186</u>	47,334

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 534,207

Change in Net Assets of Governmental Activities \$21,525,819

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$3,480,462	\$3,480,462	\$3,715,671	\$235,209
Intergovernmental	13,946,580	13,946,580	14,151,166	204,586
Investment Earnings	300,000	300,000	335,378	35,378
Customer Services	30,000	30,000	49,701	19,701
Tuition and Fees	195,000	195,000	209,235	14,235
Rent	500	500	892	392
Miscellaneous	97,296	112,296	108,916	(3,380)
<i>Total Revenues</i>	<u>18,049,838</u>	<u>18,064,838</u>	<u>18,570,959</u>	<u>506,121</u>
Expenditures				
Current:				
Instruction:				
Regular	12,186,365	12,276,915	8,665,052	3,611,863
Special	315,799	375,764	1,611,359	(1,235,595)
Vocational	165,951	242,269	938,533	(696,264)
Adult	0	0	974	(974)
Support Services:				
Pupils	2,014,308	2,014,308	705,521	1,308,787
Instructional Staff	256,559	256,559	489,058	(232,499)
Board of Education	77,931	80,381	106,292	(25,911)
Administration	516,957	515,957	1,632,376	(1,116,419)
Fiscal	392,523	392,523	573,799	(181,276)
Business	16,609	16,609	168,367	(151,758)
Operation and Maintenance of Plant	1,028,870	1,028,870	1,600,683	(571,813)
Pupil Transportation	1,798,433	1,799,468	2,096,960	(297,492)
Central	4,680	4,680	156,569	(151,889)
Extracurricular Activities	10,150	10,150	175,287	(165,137)
Capital Outlay	8,445	8,445	9,087	(642)
<i>Total Expenditures</i>	<u>18,793,580</u>	<u>19,022,898</u>	<u>18,929,917</u>	<u>92,981</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(743,742)</u>	<u>(958,060)</u>	<u>(358,958)</u>	<u>599,102</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	10,000	10,000	11,668	1,668
Proceeds from the Sale of Capital Assets	9,604	9,604	9,604	0
Advances In	197,301	197,301	197,301	0
Advances Out	(97,000)	(97,000)	(95,113)	1,887
Transfers In	0	61,400	0	(61,400)
Transfers Out	(84,727)	(84,727)	(77,917)	6,810
<i>Total Other Financing Sources (Uses)</i>	<u>35,178</u>	<u>96,578</u>	<u>45,543</u>	<u>(51,035)</u>
<i>Net Change in Fund Balance</i>	<u>(708,564)</u>	<u>(861,482)</u>	<u>(313,415)</u>	<u>548,067</u>
<i>Fund Balance Beginning of Year</i>	<u>3,237,124</u>	<u>3,237,124</u>	<u>3,237,124</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>454,141</u>	<u>454,141</u>	<u>454,141</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,982,701</u>	<u>\$2,829,783</u>	<u>\$3,377,850</u>	<u>\$548,067</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2008

	Self Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,249,249</u>
Current Liabilities	
Deferred Revenue	25,938
Claims Payable	<u>212,859</u>
<i>Total Liabilities</i>	<u>238,797</u>
Net Assets	
Unrestricted	<u><u>\$2,010,452</u></u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2008*

	Self Insurance
Operating Revenues	
Charges for Services	\$2,955,002
Operating Expenses	
Purchased Services	271,738
Claims	2,149,057
<i>Total Operating Expenses</i>	<i>2,420,795</i>
<i>Change in Net Assets</i>	<i>534,207</i>
<i>Net Assets Beginning of Year</i>	<i>1,476,245</i>
<i>Net Assets End of Year</i>	<i>\$2,010,452</i>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$2,955,002
Cash Payments to Suppliers for Services	(271,738)
Cash Payments for Claims	(2,475,160)
<i>Net Cash Provided by Operating Activities</i>	208,104
<i>Cash and Cash Equivalents Beginning of Year</i>	2,041,145
<i>Cash and Cash Equivalents End of Year</i>	\$2,249,249
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$534,207
Changes in Assets and Liabilities	
Decrease in Claims Payable	(325,447)
Decrease in Deferred Revenue	(656)
<i>Net Cash Provided by Operating Activities</i>	\$208,104
See accompanying notes to the basic financial statements	

Morgan Local School District, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	Private Purpose Trust	
	Parsons Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$14,714	\$41,371
Cash and Cash Equivalents in Segregated Accounts	0	2,137
Investments	100,000	0
Interest Receivable	2,215	0
<i>Total Assets</i>	<u>116,929</u>	<u>\$43,508</u>
Liabilities		
Due to Students	0	\$41,371
Undistributed Monies	0	2,137
<i>Total Liabilities</i>	<u>0</u>	<u>\$43,508</u>
Net Assets		
Held in Trust for Scholarships	<u>\$116,929</u>	

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
	Parsons Scholarship
Additions	
Investment Earnings	\$4,730
Deductions	
Scholarships	1,500
<i>Change in Net Assets</i>	3,230
<i>Net Assets Beginning of Year</i>	113,699
<i>Net Assets End of Year</i>	\$116,929

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

The School District is staffed by 115 classified employees and 186 certificated personnel who provide services to 2,146 students and other community members. The School District currently operates six instructional buildings, one administrative office site, and one garage.

Reporting Entity:

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

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Ohio School Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

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

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

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

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

B. Fund Accounting

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

Governmental Funds:

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

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

Morgan Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and 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 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2008, investments consisted of nonparticipating certificates of deposit, which are reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$335,465, which includes \$146,007 assigned from other School District funds.

The School District has segregated bank accounts for flexible spending and athletic accounts that are held separate from the School District's central bank account. These depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not deposited into the School District treasury.

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

G. Inventory

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. Restricted assets include amounts required by Statute to be set-aside by the School District for the creation of a reserve for the purchase of textbooks and other instructional material and a reserve for budget stabilization, and unexpended grants restricted for the purchase of buses. See Note 21 for additional information regarding set-asides.

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

Transfers within governmental activities are eliminated on the government wide financial statements.

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

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

N. Fund Balance Reserves

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

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for endowment represents monies required to be set aside by a donor-restricted endowment where only the interest can be used to purchase library materials each fiscal year.

O. Unamortized Issuance Costs, Bond Premiums and Discounts, and Accounting Gains

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

Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$23,222,613 of restricted net assets, none of which are restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted for specified purposes.

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

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.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and the STRS post-employment healthcare plans in the amount of \$36,095 and \$14,048 respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

NOTE 4 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2008:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Lunchroom	\$72,762
Education Management Information System	3,082
State Grants	60,948
Part-B Idea	95,772
Vocational Education	2,572
Title I	64,561
Preschool Grant	2,669
Title II-A	26,616

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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	(\$10,719)
Revenue Accruals	93,753
Expenditure Accruals	(8,082)
Unreported Items:	
Beginning of Fiscal Year	639
End of Fiscal Year	(726)
Prepaid Items:	
Beginning of Fiscal Year	39,207
End of Fiscal Year	(35,059)
Advances In	197,301
Advances Out	(95,113)
Encumbrances	(494,616)
Budget Basis	<u><u>(\$313,415)</u></u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above;
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.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$16,663,764 of the School District's bank balance of \$16,864,017 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 FDIC.

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

Investments As of June 30, 2008, the School District had an investment in STAROhio. The fair value of this investment was \$27,038, with an average maturity of 53.8 days.

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

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

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

The School District receives property taxes from Morgan, Washington, and Muskingum Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2008, was \$325,479 in the General Fund, \$65,423 in the Bond Retirement Debt Service Fund, and \$13,047 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$407,917 in the General Fund, \$82,026 in the Bond Retirement Debt Service Fund, and \$16,317 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred. The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$177,054,500	86.22%	\$176,817,300	87.78%
Public Utility Personal	20,767,470	10.11%	19,082,320	9.47%
Tangible Personal	7,527,792	3.67%	5,538,113	2.75%
	<u>\$205,349,762</u>	<u>100.00%</u>	<u>\$201,437,733</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$37.52		\$37.52

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies, that will not be received within one year. In addition, a portion of the Ohio School Facilities receivable totaling \$14,458,724 that will be paid to the School District through the Ohio School Facilities Commission for future construction will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Morgan County Teen Awareness	\$267
Morgan County R.O.A.O	4,855
Agriculture Education	7,200
Title II-D	1,753
Vocational Education Enhancement	3,418
IDEA Part B	154,186
Title I	142,808
Title VI	3,393
Early Childhood Special Education	6,553
Title II-A	69,896
21st Century	46,695
High Schools that Work	979
Homeless Assistance	5,891
School Readiness Enrichment	6,158
CAFS	868
Bus Purchase Reimbursement	18,931
Motor Vehicle Tax	1,918
Ohio School Facilities	14,458,724
Morgan County Auditor Fuel Refund	4,251
Bureau of Workers Compensation Refund	1,604
Mary Hammond Adult Activity Center Fuel Refund	1,393
Department of Commerce Refund	149
University of Akron Refund	72
	<u>\$14,941,962</u>

Morgan Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2008</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$310,164	\$38,000	\$0	\$348,164
Construction in Progress	22,362	1,975,537	(378,769)	1,619,130
Total Capital Assets not being Depreciated	<u>332,526</u>	<u>2,013,537</u>	<u>(378,769)</u>	<u>1,967,294</u>
Depreciable Capital Assets:				
Land Improvements	2,643,864	41,750	0	2,685,614
Buildings and Improvements	28,155,096	378,769	0	28,533,865
Furniture and Equipment	4,373,987	146,137	(61,871)	4,458,253
Vehicles	2,584,995	170,490	(287,659)	2,467,826
Total Capital Assets being Depreciated	<u>37,757,942</u>	<u>737,146</u>	<u>(349,530)</u>	<u>38,145,558</u>
Less Accumulated Depreciation				
Land Improvements	(2,357,726)	(47,356)	0	(2,405,082)
Buildings and Improvements	(6,701,256)	(598,081)	0	(7,299,337)
Furniture and Equipment	(3,665,723)	(262,451)	61,871	(3,866,303)
Vehicles	(1,942,124)	(158,880)	287,659	(1,813,345)
Total Accumulated Depreciation	<u>(14,666,829)</u>	<u>(1,066,768) *</u>	<u>349,530</u>	<u>(15,384,067)</u>
Total Capital Assets being Depreciated, Net	<u>23,091,113</u>	<u>(329,622)</u>	<u>0</u>	<u>22,761,491</u>
Capital Assets, Net	<u>\$23,423,639</u>	<u>\$1,683,915</u>	<u>(\$378,769)</u>	<u>\$24,728,785</u>

During fiscal year 2008, the School District received donated capital assets in the amount of \$9,800.

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$377,078
Special	66,584
Vocational	65,202
Support Services:	
Pupils	42,630
Instructional Staff	68,807
Administration	130,200
Fiscal	6,014
Business	8,779
Operation and Maintenance of Plant	73,583
Pupil Transportation	158,489
Central	691
Food Service Operations	54,875
Extracurricular Activities	13,836
Total Depreciation Expense	<u>\$1,066,768</u>

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, 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, for insurance coverage (see Note 20). 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 School District pays this annual premium to the OSP. Coverage provided by Ohio School Plan is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$48,452,230
General Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Medical Expense (per person)	10,000
Employee Benefits Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Educator's Legal Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Automobile Liability (\$1,000 Comprehensive/\$1,000 collision):	
Bodily Injury and Property Damage (each accident)	1,000,000
Medical Payments	5,000
Uninsured Motorists (No deductible)	1,000,000

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

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Medical, dental, vision, and prescription insurance is offered to employees through a self-insurance internal service fund. The School District contracts with a third party administrator to handle stop-loss coverage. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$212,859 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2007	\$477,428	\$2,194,615	\$2,133,737	\$538,306
2008	538,306	2,149,057	2,474,504	212,859

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$229,110, \$245,326, and \$229,343, respectively; 52.07 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,256,284, \$1,190,805, and \$1,191,954, respectively; 83.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,381 made by the School District and \$16,906 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, there are four employees who have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care, including the surcharge, for the fiscal years ended June 30, 2008, 2007, and 2006, were \$155,759, \$119,105, and \$108,265, respectively; 44.63 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$16,949, \$16,682, and \$13,302, respectively; 53.32 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$96,637, \$91,600, and \$91,661, respectively; 83.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for certified employees and a maximum of 230 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for certified and 55 days for classified employees.

B. Other Employee Insurances

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

NOTE 14 - INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$95,113	\$0
Other Nonmajor Governmental Funds:		
Other Miscellaneous Grants	0	5,410
Other State Grants	0	16,179
Part-B Idea Grant	0	21,914
Title I	0	3,664
Title II-A	0	16,400
Miscellaneous Federal Grants	0	31,546
Total Other Nonmajor Governmental Funds	0	95,113
Total All Funds	\$95,113	\$95,113

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

During the year, the General Fund transferred \$77,917 to non-major governmental funds to help reduce deficit fund balances.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capitalized leases for copier equipment, an administration building, and modular classrooms. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2008 were \$29,919.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

	<u>Governmental Activities</u>
Buildings	\$274,371
Equipment	133,175
Total Property under Capital Lease	407,546
Less Accumulated Depreciation	<u>(69,368)</u>
Total June 30, 2008	<u><u>\$338,178</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$33,145
2010	33,144
2011	33,144
2012	29,890
Total	<u>129,323</u>
Less: Amount Representing Interest	<u>(25,229)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$104,094</u></u>

NOTE 16 - SHORT-TERM DEBT OBLIGATIONS

On June 28, 2007, the School District issued general obligation bond anticipation notes for \$3,600,000 at 4.5% interest. The debt proceeds were deposited into two funds: the School Facilities and Local Building Capital Projects Funds. The proceeds are being used for improvements to the high school building. On December 13, 2007, the School District repaid this note with bonds making a principal and interest payment of \$3,600,000 and \$76,950, respectively.

Morgan Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due Within One Year
Energy Conservation:					
1997 Improvement Bonds - 5%	\$42,307	\$0	\$42,307	\$0	\$0
2000 Long-Term Note - 5.9%	499,750	0	46,743	453,007	49,619
Total Energy Conservation Debt	542,057	0	89,050	453,007	49,619
1998 School Bus Acquisition					
Bonds - 4.5% to 4.8%	400,000	0	50,000	350,000	50,000
1999 School Bus Acquisition					
Bonds - 4.45% to 4.75%	290,000	0	35,000	255,000	40,000
Total School Bus Acquisition Bonds	690,000	0	85,000	605,000	90,000
2004 Ohio Department of Education					
Construction Loan - 0%	161,939	0	13,495	148,444	13,495
2004 Ohio Department of Education					
Equipment Loan - 0%	119,031	0	59,515	59,516	59,516
Total ODE Loans	280,970	0	73,010	207,960	73,011
2000 School Facilities Construction and Improvement General Obligation Bonds:					
Serial Bonds - 5.25%	1,180,000	0	260,000	920,000	280,000
Original Issue of Capital Appreciation Bonds - 21.947% - 21.861%	771,905	0	0	771,905	0
Accretion on Capital Appreciation Bonds	489,518	89,992	0	579,510	0
Total 2000 School Facilities GO Bonds	2,441,423	89,992	260,000	2,271,415	280,000
2006 School Facilities Construction and Improvement Refunding Bonds:					
Serial Bonds - 4.10%	3,190,000	0	0	3,190,000	0
Term Bonds - 3.80-4.00%	605,000	0	60,000	545,000	60,000
Original Issue of Capital Appreciation Bonds - 14.276%	234,993	0	0	234,993	0
Capital Appreciation Bonds:					
Accretion	30,382	38,076	0	68,458	0
Premium	384,574	0	40,817	343,757	0
Deferred Amount on Refunding	(278,968)	0	(18,089)	(260,879)	0
Discount	(38,928)	0	(2,524)	(36,404)	0
Total 2006 School Facilities Refunding Bonds	\$4,127,053	\$38,076	\$80,204	\$4,084,925	\$60,000

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due Within One Year
2007 School Facilities Construction and Improvement General Obligation Bonds:					
Serial Bonds - 4.00%	\$0	\$1,255,000	\$0	\$1,255,000	\$70,000
Term Bonds - 3.15-4.35%	0	2,275,000	0	2,275,000	0
Original Issue of Capital Appreciation Bonds - 10.171%	0	70,000	0	70,000	0
Capital Appreciation Bonds:					
Accretion	0	7,417	0	7,417	0
Premium	0	72,167	1,867	70,300	0
Total 2007 School Facilities GO Bonds	<u>0</u>	<u>3,679,584</u>	<u>1,867</u>	<u>3,677,717</u>	<u>70,000</u>
Capital Leases	134,013	0	29,919	104,094	22,348
Sick Leave Benefits Payable	<u>1,109,744</u>	<u>118,214</u>	<u>175,400</u>	<u>1,052,558</u>	<u>0</u>
Total Long-Term Obligations	<u>\$9,325,260</u>	<u>\$3,925,866</u>	<u>\$794,450</u>	<u>\$12,456,676</u>	<u>\$644,978</u>

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

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

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

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

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

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

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

The capital appreciation bonds will mature in fiscal years 2012 thru 2016. The maturity amount of the bonds is \$1,980,000. For the fiscal year 2008, \$89,992 was accreted for a total bond value of \$1,351,415.

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

On July 5, 2006, the School District issued \$4,059,993 in refunding bonds to retire \$4,060,000 of outstanding school improvement term bonds. \$4,356,810 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. At June 30, 2008, \$4,233,637 remained in this account. As a result, \$4,060,000 of refunded bonds is considered defeased and the liability is removed from the statement of net assets. As of June 30, 2008, \$4,060,000 was still outstanding on these bonds.

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

The 2006 capital appreciation bonds were sold at a premium of \$424,831. For fiscal year 2008, \$40,817 was amortized for total amortization outstanding of \$343,757. The capital appreciation bonds will mature in fiscal year 2018. The maturity amount of the bonds is \$1,055,000. For the fiscal year 2008, \$38,076 was accreted for a total bond value of \$303,451.

On October 18, 2007, the School District issued \$3,600,000 in voted general obligation bonds for improvements to the high school building. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,255,000, \$2,275,000, and \$70,000, respectively. The bonds will be retired from the Bond Retirement Debt Service Fund, with the proceeds of a 1.32 mill voted property tax levy.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The current interest bonds maturing December 1, 2034, 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:

Date	Principal Amount To Be Redeemed
2029	\$180,000
2030	185,000
2031	195,000
2032	205,000
2033	215,000

The remaining principal amount of the bonds (\$220,000) will mature at the stated maturity on December 1, 2034.

The 2007 capital appreciation bonds will mature in fiscal year 2022. The maturity amount of the bonds is \$270,000. For the fiscal year 2008, \$7,417 was accreted for a total bond value of \$77,417.

Principal and interest requirements to retire the 2007 general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$70,000	\$145,613	\$0	\$0	\$0	\$0
2010	90,000	142,413	0	0	0	0
2011	90,000	138,813	0	0	0	0
2012	95,000	135,113	0	0	0	0
2013	100,000	131,213	0	0	0	0
2014-2018	555,000	592,163	0	0	0	0
2019-2023	255,000	203,925	135,000	287,636	70,000	200,000
2024-2028	0	0	765,000	379,379	0	0
2029-2033	0	0	940,000	199,925	0	0
2034-2035	0	0	435,000	19,031	0	0
Total	\$1,255,000	\$1,489,253	\$2,275,000	\$885,971	\$70,000	\$200,000

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Principal and interest requirements to retire the 2006 refunding bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$0	\$0	\$60,000	\$150,950	\$0	\$0
2010	0	0	60,000	148,670	0	0
2011	0	0	65,000	146,295	0	0
2012	0	0	65,000	143,825	0	0
2013	0	0	70,000	141,190	0	0
2014-2018	540,000	326,975	225,000	340,875	234,993	820,007
2019-2023	2,650,000	344,811	0	0	0	0
Total	\$3,190,000	\$671,786	\$545,000	\$1,071,805	\$234,993	\$820,007

Principal and interest requirements to retire the 2000 general obligation bonds outstanding at June 30, 2008, were as follows:

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$49,619	\$26,016	\$75,635
2010	52,591	23,045	75,636
2011	55,739	19,896	75,635
2012	59,032	16,602	75,634
2013	62,610	13,024	75,634
2014-2016	173,416	15,671	189,087
Total	\$453,007	\$114,254	\$567,261

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$90,000	\$26,225	\$116,225
2010	95,000	22,342	117,342
2011	95,000	17,802	112,802
2012	105,000	13,023	118,023
2013	110,000	7,907	117,907
2014	110,000	2,629	112,629
Total	<u>\$605,000</u>	<u>\$89,928</u>	<u>\$694,928</u>

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

Fiscal Year Ending June 30,	Principal
2009	\$73,011
2010	13,495
2011	13,495
2012	13,495
2013	13,495
2014-2018	67,475
2019	13,494
Total	<u>\$207,960</u>

The School District's overall legal debt margin was \$8,253,000, with an unvoted debt margin of \$194,502 at June 30, 2008.

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

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 18 - CONTRACTUAL COMMITMENT

As of June 30, 2008, the School District had contractual purchase commitments for construction services relating to the Ohio School Facilities Project. The contract amount for these services is as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
Accurate Electric Construction, Inc.	\$2,578,137	\$0	\$2,578,137
Apple Mobile Leasing, Inc.	155,705	0	155,705
Atlas Blueprint Supply	57,000	15,482	41,518
Central Fire Protection Co, Inc.	377,552	0	377,552
Civil & Environmental Consultants, Inc.	27,125	17,705	9,420
Claggett & Sons, Inc.	5,950,400	0	5,950,400
Climatech, Inc.	2,490,000	0	2,490,000
Gandee and Associates, Inc.	45,000	19,945	25,055
Gutridge Plumbing, inc.	1,164,100	0	1,164,100
LVI Environmental Services, Inc.	219,100	0	219,100
McDonald, Cassell & Bassett, Inc.	1,419,518	1,046,659	372,859
Mid-East Ohio Building Dept.	55,000	36,711	18,289
STAN and Associates	50,743	9,134	41,609
Stanley Security Solutions, Inc.	1,126,350	0	1,126,350
The Harold J. Becker Company, Inc.	1,437,360	0	1,437,360
The Wasserstrom Company, Inc	258,067	0	258,067
PSC - Construction Manager	1,239,838	350,950	888,888
Various Contractors	122,544	122,544	0
	<u>\$18,773,539</u>	<u>\$1,619,130</u>	<u>\$17,154,409</u>

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

Southeastern Ohio Voluntary Education Cooperative is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2008, the School District paid \$51,312 to SEOVEC. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Educational Consortium, at 221 North Columbus Road, Athens, Ohio 45701.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various inservice for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2008, the School District paid \$360 to the Coalition. The financial information for the Coalition of Rural and Appalachian Schools can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

NOTE 20 - INSURANCE PURCHASING POOL

A. Ohio School Boards Association Workers' Compensation Group Rating Program

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

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 21 - SET-ASIDE CALCULATIONS

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

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute and at June 30, 2008, this continues to be set aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2007	\$236,663	\$0	\$76,683
Current year set-aside requirement	296,190	296,190	0
Offset Credits	0	(153,969)	0
Qualifying Disbursements	(296,240)	(367,389)	0
Totals	<u>\$236,613</u>	<u>(\$225,168)</u>	<u>\$76,683</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$236,613</u>	<u>\$0</u>	<u>\$76,683</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$236,613</u>	<u>\$0</u>	<u>\$76,683</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$313,296.

NOTE 22 - DONOR-RESTRICTED ENDOWMENTS

The School District's permanent fund includes a donor-restricted endowment. Net Assets – Library Materials – Nonexpendable of \$5,000 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is \$1,144 and is included as Net Assets – Library Materials – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to purchase library materials each fiscal year.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	2008	10.550		\$ 88,213		\$ 88,213
Child Nutrition Cluster:						
School Breakfast Program	2008	10.553	\$ 198,387		\$ 198,387	
National School Lunch Program	2008	10.555	452,356		452,356	
Total Child Nutrition Cluster			<u>650,743</u>	<u>0</u>	<u>650,743</u>	<u>0</u>
Total United States Department of Agriculture			650,743	88,213	650,743	88,213
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	2007	84.010	93,046		89,081	
	2008		553,438		535,647	
Total Title I Grants to Local Educational Agencies			<u>646,484</u>	<u>0</u>	<u>624,728</u>	<u>0</u>
Special Education Cluster:						
Special Education - Grants to States	2007	84.027	92,289		85,548	
	2008		404,681		426,595	
Total Special Education - Grants to States			<u>496,970</u>	<u>0</u>	<u>512,143</u>	<u>0</u>
Special Education - Preschool Grants	2007	84.173	248		1,331	
	2008		12,879		12,338	
Total Special Education - Preschool Grants			<u>13,127</u>	<u>0</u>	<u>13,669</u>	<u>0</u>
Total Special Education Cluster			510,097	0	525,812	0
Career and Technical Education - Basic Grants to States	2007	84.048	2,885		6,513	
	2008		48,845		45,676	
Total Career and Technical Education - Basic Grants to States			<u>51,730</u>	<u>0</u>	<u>52,189</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	2008	84.186	13,332		13,332	
Education for Homeless Children and Youth	2007	84.196	508		1,012	
	2008		30,453		30,528	
Total Education for Homeless Children and Youth			<u>30,961</u>	<u>0</u>	<u>31,540</u>	<u>0</u>
Twenty-First Century Community Learning Centers	2007	84.287	69,293		52,107	
	2008		352,975		375,375	
Total Twenty-First Century Community Learning Centers			<u>422,268</u>	<u>0</u>	<u>427,482</u>	<u>0</u>
State Grants for Innovative Programs	2007	84.298	(706)			
	2008		4,941		4,292	
Total State Grants for Innovative Programs			<u>4,235</u>	<u>0</u>	<u>4,292</u>	<u>0</u>
Education Technology State Grants	2008	84.318	4,896		4,204	
Improving Teacher Quality State Grants	2007	84.367	17,412		25,467	
	2008		122,992		131,074	
Total Improving Teacher Quality State Grants			<u>140,404</u>	<u>0</u>	<u>156,541</u>	<u>0</u>
Total United States Department of Education			1,824,407	0	1,840,120	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families (School Readiness Enrichment Program)	2007	93.558	12,598		6,609	
	2008		35,855		39,664	
Total Temporary Assistance for Needy Families			<u>48,453</u>	<u>0</u>	<u>46,273</u>	<u>0</u>
Total United States Department of Health and Human Services			48,453	0	46,273	0
Total Federal Awards Receipts and Expenditures			<u>\$ 2,523,603</u>	<u>\$ 88,213</u>	<u>\$ 2,537,136</u>	<u>\$ 88,213</u>

The notes to the Schedule of Federal Award Receipts and Expenditures is an integral part of the Schedule.

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS

The Ohio Department of Education (ODE) requires School Districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfers due to ODE administrative action:

CFDA Number	Pass-through Entity Number	<u>Transfers- In</u>	<u>Transfers-Out</u>
84.298	C2S1-2007		\$706
84.298	C2S1-2008	\$706	
	Total	\$706	\$706



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan Local School District, Morgan County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the School District's management in a separate letter dated February 11, 2009.

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www.auditor.state.oh.us

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated February 11, 2009.

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. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 11, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Morgan Local School District, Morgan County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. In a separate letter to the School District's management dated February 11, 2009, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

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



Mary Taylor, CPA
Auditor of State

February 11, 2009

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster, CFDA #84.027 and 84.173 Improving Teacher Quality State Grants, CFDA #84.367
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

MORGAN LOCAL SCHOOL DISTRICT

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2009**