



Dave Yost • Auditor of State



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund.....	17
Statement of Fund Net Assets - Internal Service Fund .....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund.....	19
Statement of Cash Flows - Internal Service Fund .....	20
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	21
Notes to the Basic Financial Statements .....	23
Federal Awards Receipts and Expenditures Schedule.....	53
Notes to the Federal Awards Receipts and Expenditures Schedule .....	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133. ....	57
Schedule of Findings - OMB Circular A-133 § .505.....	59

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2012, 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 West Muskingum Local School District, Muskingum County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the 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. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 7, 2013

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

---

The discussion and analysis of the West Muskingum 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, 2012. 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 fiscal year 2012 are as follows:

- Net assets of governmental activities increased \$2,825,980.
- Capital assets decreased \$868,743 primarily due to current year depreciation which was offset by current year capital acquisitions.
- General revenues accounted for \$16,562,841 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$4,202,910, 20 percent of total revenues of \$20,765,751.
- The School District had \$17,939,771 in expenses related to governmental activities; only \$4,202,910 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$16,562,841 were adequate to provide for these activities.

**Using this Annual Financial Report**

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

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

***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 2012?" 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.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

---

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

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

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

*Fund Financial Statements*

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

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

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

**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 2012 compared to 2011.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

**Table 1**  
**Net Assets**

	Governmental Activities		
	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$16,420,401	\$15,595,851	\$824,550
Capital Assets	21,721,975	22,590,718	(868,743)
<b>Total Assets</b>	<b>38,142,376</b>	<b>38,186,569</b>	<b>(44,193)</b>
<b>Liabilities</b>			
Long-Term Liabilities	22,598,734	23,066,109	(467,375)
Other Liabilities	6,434,085	8,836,883	(2,402,798)
<b>Total Liabilities</b>	<b>29,032,819</b>	<b>31,902,992</b>	<b>(2,870,173)</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	263,387	783,857	(520,470)
Restricted	5,749,196	4,738,703	1,010,493
Unrestricted	3,096,974	761,017	2,335,957
<b>Total Net Assets</b>	<b>\$9,109,557</b>	<b>\$6,283,577</b>	<b>\$2,825,980</b>

The increase in current and other assets is primarily due to an increase in equity in pooled cash and cash equivalents in the amount of \$508,675 and an increase in investments in the amount of \$249,997. The increase in cash and cash equivalents is primarily due to the increase in cash balances in the General Fund, Debt Service Fund, and in the Permanent Improvement Capital Projects Fund. The increase in the General Fund was due to decreases in expenses in fiscal year 2012 compared to fiscal year 2011 which resulted in an increase in cash balances. The increase in the Debt Service Fund was due to increases in property taxes revenues for fiscal year 2012 compared to fiscal year 2011; this was due to the change in the collection date of property taxes. The increase in the Permanent Improvement Capital Projects Fund was due to an increase in payment in lieu of taxes revenues. There was an increase in investments due to the School District purchasing more investments during fiscal year 2012. The \$868,743 decrease in capital assets is primarily due to current year depreciation which was offset by capital asset additions in the amount of \$140,384. Capital asset deletions in the amount of \$24,634 were fully depreciated.

The \$2,402,798 decrease in other liabilities is primarily due to a decrease in deferred revenue in the amount of \$2,214,734. All other liabilities remained fairly consistent. Deferred revenue decreased due to a change in the second-half collection date by the Muskingum County Treasurer. The second-half collection date historically was in August but in 2012 the collection date was moved to June 29. Due to the second-half collection date of June 29, there was a larger amount available as an advance on property tax collections for the School District as of fiscal year-end which is recognized as revenue instead of deferred revenue. The \$467,375 decrease in long-term liabilities is primarily due to the School District making a \$430,000 principal payment on the School Facilities Construction and Improvement Bonds and a \$75,110 principal payment on the outstanding capital leases.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, and comparisons to fiscal year 2011.

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

	Governmental Activities		
	2012	2011	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,777,420	\$1,735,989	\$41,431
Operating Grants, Contributions and Interest	2,309,685	2,602,936	(293,251)
Capital Grants and Contributions	115,805	2,009	113,796
	<u>4,202,910</u>	<u>4,340,934</u>	<u>(138,024)</u>
General Revenue			
Property Taxes	9,473,493	7,310,992	2,162,501
Gain on Sale of Capital Asset	1,500	20,214	(18,714)
Payment in Lieu of Taxes	267,787	163,796	103,991
Grants and Entitlements	6,736,335	7,311,711	(575,376)
Investment Earnings	40,618	48,249	(7,631)
Miscellaneous Revenue	43,108	23,757	19,351
	<u>16,562,841</u>	<u>14,878,719</u>	<u>1,684,122</u>
Total Revenues	<u>20,765,751</u>	<u>19,219,653</u>	<u>1,546,098</u>
<b>Program Expenses</b>			
Instruction			
Regular	7,839,592	7,790,498	49,094
Special	2,123,359	2,640,501	(517,142)
Intergovernmental	10,984	11,046	(62)
Vocational	124,846	135,778	(10,932)
Student Intervention	105,260	94,277	10,983
Support Services			
Pupils	440,870	441,370	(500)
Instructional Staff	973,735	966,913	6,822
Board of Education	15,889	14,609	1,280
Administration	1,290,615	1,309,980	(19,365)
Fiscal	407,445	386,687	20,758
Operation and Maintenance of Plant	1,499,175	1,456,551	42,624
Pupil Transportation	1,056,029	953,413	102,616
Central	52,894	80,890	(27,996)
Operation of Non-Instructional Services			
Food Service Operations	755,583	741,542	14,041
Other	11,646	13,162	(1,516)
Extracurricular Activities	219,695	215,229	4,466
Interest and Fiscal Charges	1,012,154	1,042,041	(29,887)
Total Expenses	<u>17,939,771</u>	<u>18,294,487</u>	<u>(354,716)</u>
<i>Change in Net Assets</i>	2,825,980	925,166	1,900,814
Net Assets Beginning of Year	6,283,577	5,358,411	925,166
Net Assets End of Year	<u>\$9,109,557</u>	<u>\$6,283,577</u>	<u>\$2,825,980</u>

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

---

The School District's net assets increased \$2,825,980. Revenues increased in fiscal year 2012 while expenditures decreased during fiscal year 2012. The increase in revenues was due primarily to an increase in property taxes revenue in the amount of \$2,162,501 which was offset by a decrease in grants and entitlement in the amount of \$575,376. Property taxes revenue increased in the amount of \$2,162,501 due to a change in collections dates by the Muskingum County Treasurer. Historically taxes were collected in the month of August for the second-half settlement; however, beginning in 2012 the second-half collection dates were changed to June 29 for Muskingum County. Due to the second-half collection date of June 29, a larger amount was available as an advance on property tax collections to the School District as of fiscal year-end which was recognized as revenue in fiscal year 2012. The decrease in grants and entitlements in the amount of \$575,376 was due primarily to the decrease in Education Stabilization funding in the amount of \$455,066. This funding source was eliminated in fiscal year 2012. Operating grants, contributions, and interest decreased in fiscal year 2012 primarily due to a decrease in the Title VI-B grant in the amount of \$207,123.

Overall expenses decreased in fiscal year 2012 compared to fiscal year 2011, due to personnel and program cuts made by the Board of Education in an effort to increase the School District's fund balances.

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 77 percent is for regular instruction, 21 percent for special instruction and intergovernmental, 1 percent for vocational instruction, and 1 percent for student intervention.

In November of 2002, the residents of the School District approved a \$23,950,000 bond levy as part of the Expedited Local Partnership Program. The School District built a new high school and renovated the middle school during phase one and two new elementary buildings will be built during phase two. Phase one construction costs were funded entirely by local monies. Phase two monies will be funded with State monies for which the School District is eligible beginning in 2010 and ending in 2015. The total estimated construction project cost is \$39,100,206.

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

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

	2012 Total Cost of Services	2012 Net Cost of Services	2011 Total Cost of Services	2011 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,839,592	\$6,410,022	\$7,790,498	\$6,444,476
Special	2,123,359	1,194,783	2,640,501	1,422,262
Intergovernmental	10,984	0	11,046	0
Vocational	124,846	100,279	135,778	111,211
Student Intervention	105,260	101,594	94,277	77,741
Support Services:				
Pupils	440,870	403,129	441,370	404,965
Instructional Staff	973,735	462,783	966,913	441,260
Board of Education	15,889	15,889	14,609	14,609
Administration	1,290,615	1,195,744	1,309,980	1,193,676
Fiscal	407,445	206,179	386,687	187,636
Operation and Maintenance of Plant	1,499,175	1,497,695	1,456,551	1,445,845
Pupil Transportation	1,056,029	1,056,029	953,413	953,413
Central	52,894	45,694	80,890	71,790
Operation of Non-Instructional Services				
Food Service Operations	755,583	105,804	741,542	110,137
Other	11,646	2,685	13,162	6,735
Extracurricular Activities	219,695	(73,602)	215,229	25,756
Interest and Fiscal Charges	1,012,154	1,012,154	1,042,041	1,042,041
<b>Totals</b>	<b>\$17,939,771</b>	<b>\$13,736,861</b>	<b>\$18,294,487</b>	<b>\$13,953,553</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2012, only 23 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 77 percent is provided through taxes and entitlements.

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,826,799, expenditures of \$17,505,383, and other financing sources and uses of \$130,099.

**General Fund**

The fund balance of the General Fund at June 30, 2012 was \$2,458,125, an increase of \$2,545,978 over fiscal year 2011. The increase is due primarily to an increase in property taxes revenue due to the change in the second half collection dates for Muskingum County, as previously discussed. In addition to the increases in revenues, expenditures decreased from \$13,412,731 in fiscal year 2011 to \$13,290,692 in fiscal year 2012 due to the overall efforts of the School District to reduce overall expenditures.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

---

***Other Governmental Major Funds***

***Debt Service Fund***

The fund balance of the Debt Service Fund at June 30, 2012 was \$2,469,198, an increase of \$775,805 from the prior year primarily due to an increase in tax collections as compared to fiscal year 2011. The increase is primarily due to the change in the second-half collection dates for Muskingum County to June 29, 2012. This change resulted in increasing the amount available as of June 30, 2012 which is recognized as revenue during fiscal year 2012.

***Permanent Improvement Fund***

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2012 was \$2,509,213, an increase of \$170,108 from the prior year due to payment in lieu of taxes revenue of \$170,108. There were no expenditures and no other financing sources and uses.

***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 2012, the School District had no changes from its original appropriations to its final appropriations. Appropriations were set at \$14,650,833. Final appropriations exceeded final expenditures by \$804,986.

The School District received \$177,757 more in revenues and other financing sources than what was expected during fiscal year 2012. Budget basis revenues and other financing sources were \$13,713,331. There was no change from the original budgeted revenues to the final budgeted revenues.

The School District's ending General Fund budgetary balance was \$1,002,336.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the School District had \$21,721,975 invested in land, land improvements, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

---

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

	Government Activities	
	2012	2011
Land and Land Improvements	\$1,503,115	\$1,486,809
Construction in Progress	0	14,858
Buildings and Improvements	19,566,619	20,196,281
Furniture and Equipment	296,118	425,777
Vehicles	356,123	466,993
<b>Totals</b>	<b>\$21,721,975</b>	<b>\$22,590,718</b>

See Note 8 for additional information regarding capital assets.

***Debt***

At June 30, 2012, the School District had \$20,353,880 in 2003 general obligation bonds and 2012 refunding bonds outstanding (including premiums, discounts and deferred amount on refunding), with \$545,000 being due within one year. The bonds were issued for school facilities construction and improvements. During fiscal year 2012, the School District refunded \$8,000,000 of the 2003 general obligation bonds and made principal payments in the amount of \$430,000. All bonds will be fully repaid by fiscal year 2031. Capital leases outstanding at June 30, 2012 were \$1,546,684 with \$73,684 due in one year. See Note 15 for more detailed information of the School District's debt.

***Economic Factors***

The current state of the economy has forced the West Muskingum Local School District to monitor the five year forecast closely and to continue to look for ways to avoid deficit spending. The School District has been making budget cuts since 2005. The Board of Education continues to work to reduce program costs, collaborate with other school districts to share services and to reduce its workforce, where possible. Due to the loss of federal stimulus funding in fiscal year 2012 and an effort to assist in reducing projected deficits, 18 full time equivalent positions were eliminated at the end of fiscal year 2011. With the current economic downturn in the housing market and the budget cuts imposed on educational funding by the State, the School District anticipates no significant increase in revenues during fiscal year 2013 and possible stagnate or declining revenues in fiscal years 2014 and 2015. As a result of zero increase or declining revenue sources, the Board of Education must look to additional cost containment initiatives to balance the budget.

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

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

**West Muskingum Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,362,953
Cash and Cash Equivalents in Segregated Accounts	20
Accounts Receivable	25,675
Intergovernmental Receivable	456,197
Prepaid Items	65,599
Inventory Held for Resale	17,110
Accrued Interest Receivable	7,252
Materials and Supplies Inventory	32,457
Property Taxes Receivable	7,545,933
Payment in Lieu of Taxes Receivable	171,948
Investments	501,585
Deferred Charges	233,672
Nondepreciable Capital Assets	654,259
Depreciable Capital Assets, Net	<u>21,067,716</u>
<i>Total Assets</i>	<u>38,142,376</u>
<b>Liabilities</b>	
Accounts Payable	110,487
Accrued Wages and Benefits	1,116,792
Matured Compensated Absences	8,071
Accrued Interest Payable	65,794
Intergovernmental Payable	356,973
Claims Payable	233,827
Deferred Revenue	4,542,141
Long-Term Liabilities:	
Due Within One Year	697,997
Due In More Than One Year	<u>21,900,737</u>
<i>Total Liabilities</i>	<u>29,032,819</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	263,387
Restricted for:	
Capital Projects	2,969,010
Debt Service	2,281,377
Other Purposes	498,809
Unrestricted	<u>3,096,974</u>
<i>Total Net Assets</i>	<u><u>\$9,109,557</u></u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2012*

	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions			Capital Grants and Contributions
<b>Governmental Activities</b>						
Instruction:						
Regular	\$7,839,592	\$1,220,233	\$204,703	\$4,634	(\$6,410,022)	
Special	2,123,359	86,081	842,495	0	(1,194,783)	
Intergovernmental	10,984	0	10,984	0	0	
Vocational	124,846	0	24,567	0	(100,279)	
Student Intervention Services	105,260	0	3,666	0	(101,594)	
Support Services:						
Pupils	440,870	0	37,741	0	(403,129)	
Instructional Staff	973,735	0	510,952	0	(462,783)	
Board of Education	15,889	0	0	0	(15,889)	
Administration	1,290,615	32,306	62,565	0	(1,195,744)	
Fiscal	407,445	0	201,266	0	(206,179)	
Operation and Maintenance of Plant	1,499,175	1,480	0	0	(1,497,695)	
Pupil Transportation	1,056,029	0	0	0	(1,056,029)	
Central	52,894	0	7,200	0	(45,694)	
Operation of Non-Instructional Services:						
Food Service Operations	755,583	255,928	393,851	0	(105,804)	
Other Non-Instructional Services	11,646	0	8,961	0	(2,685)	
Extracurricular Activities	219,695	181,392	734	111,171	73,602	
Interest and Fiscal Charges	1,012,154	0	0	0	(1,012,154)	
<b>Totals</b>	<b>\$17,939,771</b>	<b>\$1,777,420</b>	<b>\$2,309,685</b>	<b>\$115,805</b>	<b>(13,736,861)</b>	

**General Revenues**

Property Taxes Levied for:

    General Purposes 7,494,299

    Debt Service 1,979,194

Payment in Lieu of Taxes 267,787

Grants and Entitlements not Restricted 6,736,335

Investment Earnings 40,618

Gain on Sale of Capital Asset 1,500

Miscellaneous 43,108

*Total General Revenues* 16,562,841

*Change in Net Assets* 2,825,980

*Net Assets Beginning of Year* 6,283,577

*Net Assets End of Year* 9,109,557

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,472,360	\$1,928,312	\$2,509,213	\$682,322	\$6,592,207
Cash and Cash Equivalents in Segregated Accounts	20	0	0	0	20
Accounts Receivable	20,298	0	0	250	20,548
Payment in Lieu of Taxes Receivable	0	1,841	170,107	0	171,948
Intergovernmental Receivable	9,279	0	0	446,918	456,197
Accrued Interest Receivable	5,805	0	0	0	5,805
Prepaid Items	64,203	0	0	1,396	65,599
Inventory Held for Resale	0	0	0	17,110	17,110
Materials and Supplies Inventory	24,372	0	0	8,085	32,457
Property Taxes Receivable	5,964,944	1,580,989	0	0	7,545,933
<b>Total Assets</b>	<b>\$7,561,281</b>	<b>\$3,511,142</b>	<b>\$2,679,320</b>	<b>\$1,156,081</b>	<b>\$14,907,824</b>
<b>Liabilities</b>					
Accounts Payable	\$86,536	\$0	\$0	\$23,951	\$110,487
Accrued Wages and Benefits	816,520	0	0	217,884	1,034,404
Matured Compensated Absences	7,362	0	0	709	8,071
Intergovernmental Payable	291,100	0	0	65,873	356,973
Deferred Revenue	3,901,638	1,041,944	170,107	208,061	5,321,750
<b>Total Liabilities</b>	<b>5,103,156</b>	<b>1,041,944</b>	<b>170,107</b>	<b>516,478</b>	<b>6,831,685</b>
<b>Fund Balances</b>					
Nonspendable	88,575	0	0	9,481	98,056
Restricted	0	2,469,198	0	593,506	3,062,704
Committed	123,725	0	0	39,036	162,761
Assigned	265,118	0	2,509,213	0	2,774,331
Unassigned	1,980,707	0	0	(2,420)	1,978,287
<b>Total Fund Balances</b>	<b>2,458,125</b>	<b>2,469,198</b>	<b>2,509,213</b>	<b>639,603</b>	<b>8,076,139</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,561,281</b>	<b>\$3,511,142</b>	<b>\$2,679,320</b>	<b>\$1,156,081</b>	<b>\$14,907,824</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Reconciliation of Total Governmental Funds Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

---

<b>Total Governmental Fund Balances</b>	<b>\$8,076,139</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because of the following:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,721,975
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:	
Property Taxes Receivable	396,047
Payment in Lieu of Taxes Receivable	171,948
Accrued Interest Receivable	3,553
Intergovernmental Receivable	<u>208,061</u>
	779,609
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	962,690
Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.	233,672
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(65,794)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Bonds Payable	(20,014,593)
Bond Premium	(923,882)
Bond Discount	83,978
Deferred Amount on Refunding	500,617
Capital Leases Payable	(1,546,684)
Compensated Absences	<u>(698,170)</u>
Total Long-Term Liabilities	<u>(22,598,734)</u>
 Net Assets of Governmental Activities	 <u><u>\$9,109,557</u></u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2012*

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$7,528,280	\$1,985,493	\$0	\$0	\$9,513,773
Payment in Lieu of Taxes	0	1,841	170,108	0	171,949
Intergovernmental	6,809,360	199,934	0	2,141,501	9,150,795
Interest	34,151	0	0	1,648	35,799
Tuition and Fees	1,306,314	0	0	0	1,306,314
Extracurricular Activities	32,306	0	0	181,392	213,698
Rentals	1,480	0	0	0	1,480
Charges for Services	0	0	0	255,928	255,928
Contributions and Donations	115,171	0	0	18,784	133,955
Miscellaneous	43,108	0	0	0	43,108
<b>Total Revenues</b>	<b>15,870,170</b>	<b>2,187,268</b>	<b>170,108</b>	<b>2,599,253</b>	<b>20,826,799</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	6,972,878	0	0	321,905	7,294,783
Special	1,133,794	0	0	855,423	1,989,217
Vocational	97,091	0	0	0	97,091
Student Intervention Services	98,757	0	0	4,693	103,450
Support Services:					
Pupils	379,532	0	0	46,108	425,640
Instructional Staff	394,958	0	0	521,973	916,931
Board of Education	15,889	0	0	0	15,889
Administration	1,149,057	0	0	50,960	1,200,017
Fiscal	369,202	33,370	0	2,331	404,903
Operation and Maintenance of Plant	1,432,068	0	0	0	1,432,068
Pupil Transportation	929,801	0	0	0	929,801
Central	45,694	0	0	7,200	52,894
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	662,252	662,252
Other Non-Instructional Services	5,870	0	0	5,775	11,645
Extracurricular Activities	112,061	0	0	185,025	297,086
Intergovernmental	0	0	0	10,984	10,984
Debt Service:					
Principal Retirement	75,110	430,000	0	0	505,110
Interest and Fiscal Charges	78,930	952,843	0	0	1,031,773
Issuance Costs	0	123,849	0	0	123,849
<b>Total Expenditures</b>	<b>13,290,692</b>	<b>1,540,062</b>	<b>0</b>	<b>2,674,629</b>	<b>17,505,383</b>
Excess of Revenues Over (Under) Expenditures:	2,579,478	647,206	170,108	(75,376)	3,321,416
<b>Other Financing Sources (Uses)</b>					
Refunding Bonds Issued	0	7,999,593	0	0	7,999,593
Premium on Refunding Bonds	0	715,578	0	0	715,578
Discount on Refunding Bonds	0	(45,771)	0	0	(45,771)
Proceeds from Sale of Capital Assets	1,500	0	0	0	1,500
Transfers In	0	0	0	35,000	35,000
Transfers Out	(35,000)	0	0	0	(35,000)
Payment to Refunded Bond Escrow Agent	0	(8,540,801)	0	0	(8,540,801)
<b>Total Other Financing Sources (Use)</b>	<b>(33,500)</b>	<b>128,599</b>	<b>0</b>	<b>35,000</b>	<b>130,099</b>
<b>Net Change in Fund Balances</b>	<b>2,545,978</b>	<b>775,805</b>	<b>170,108</b>	<b>(40,376)</b>	<b>3,451,515</b>
Fund Balances (Deficit) Beginning of Year	(87,853)	1,693,393	2,339,105	679,979	4,624,624
<b>Fund Balances End of Year</b>	<b>\$2,458,125</b>	<b>\$2,469,198</b>	<b>\$2,509,213</b>	<b>\$639,603</b>	<b>\$8,076,139</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$3,451,515

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current year:

Capital Assets Additions	140,384	
Current Year Depreciation	<u>(1,009,127)</u>	(868,743)

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

Proceeds from Sale of Capital Assets	(1,500)	
Gain on the Sale of Capital Assets	<u>1,500</u>	0

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

Property Taxes	(40,280)	
Payment in Lieu of Taxes	95,838	
Intergovernmental	(123,638)	
Interest	<u>(755)</u>	(68,835)

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

Compensated Absences		2,462
----------------------	--	-------

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

Premium Amortization	18,599	
Discount Amortization	(3,412)	
Issuance Costs Amortization	(9,805)	
Accrued Interest Payable	<u>14,237</u>	19,619

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 505,110

Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of activities. 123,849

Payment to refunded bond escrow agent is an other financing use in government funds, but the payment reduces long-term liabilities on the statement of net assets. 8,540,801

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities.

Refunding bonds issued	(7,999,593)	
Premium on refunding bonds issued	(715,578)	
Discount on refunding bonds issued	<u>45,771</u>	(8,669,400)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net loss of the internal service fund is reported with governmental activities. (210,398)

Change in Net Assets of Governmental Activities \$2,825,980

**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$5,591,339	\$5,591,339	\$5,741,859	\$150,520
Intergovernmental	6,771,998	6,771,998	6,778,075	6,077
Interest	35,000	35,000	31,218	(3,782)
Tuition and Fees	1,265,494	1,265,494	1,305,104	39,610
Rent	500	500	1,480	980
Gifts and Donations	0	0	4,000	4,000
Miscellaneous	44,000	44,000	27,852	(16,148)
<i>Total Revenues</i>	13,708,331	13,708,331	13,889,588	181,257
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,373,713	7,373,713	7,221,208	152,505
Special	1,244,878	1,244,878	1,176,163	68,715
Vocational	106,910	106,910	103,910	3,000
Student Intervention Services	158,781	158,781	107,983	50,798
Support Services:				
Pupils	466,417	466,417	384,323	82,094
Instructional Staff	467,687	467,687	401,078	66,609
Board of Education	19,322	19,322	15,777	3,545
Administration	1,337,025	1,337,025	1,178,261	158,764
Fiscal	397,678	397,678	394,863	2,815
Operation and Maintenance of Plant	1,727,776	1,727,776	1,642,614	85,162
Pupil Transportation	1,101,303	1,101,303	970,826	130,477
Central	84,850	84,850	84,757	93
Non-Instructional Services	6,870	6,870	5,870	1,000
Extracurricular Activities	244	244	884	(640)
Debt Service:				
Principal Retirement	46,000	46,000	46,000	0
Interest and Fiscal Charges	76,379	76,379	76,330	49
<i>Total Expenditures</i>	14,615,833	14,615,833	13,810,847	804,986
<i>Excess of Revenues Over (Under)</i>				
<i>Expenditures</i>	(907,502)	(907,502)	78,741	986,243
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	5,000	5,000	1,500	(3,500)
Transfers Out	(35,000)	(35,000)	(35,000)	0
<i>Total Other Financing Sources (Uses)</i>	(30,000)	(30,000)	(33,500)	(3,500)
<i>Net Change in Fund Balance</i>	(937,502)	(937,502)	45,241	982,743
<i>Fund Balance Beginning of Year</i>	440,854	440,854	440,854	0
Prior Year Encumbrances Appropriated	516,241	516,241	516,241	0
<i>Fund Balance End of Year</i>	\$19,593	\$19,593	\$1,002,336	\$982,743

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2012*

---

---

	<u>Self- Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$770,746
Investments	501,585
Accounts Receivable	5,127
Accrued Interest Receivable	<u>1,447</u>
<i>Total Assets</i>	<u>1,278,905</u>
<b>Current Liabilities</b>	
Deferred Revenue	82,388
Claims Payable	<u>233,827</u>
<i>Total Liabilities</i>	<u>316,215</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$962,690</u></u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2012*

---

	Self-Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,584,390
<b>Operating Expenses</b>	
Salaries	3,002
Fringe Benefits	350
Purchased Services	444,924
Claims	1,352,799
<i>Total Operating Expenses</i>	1,801,075
<i>Operating Loss</i>	(216,685)
<b>Non-Operating Revenues</b>	
Interest Income	6,287
<i>Change in Net Assets</i>	(210,398)
<i>Net Assets at Beginning of Year</i>	1,173,088
<i>Net Assets at End of Year</i>	\$962,690

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Cash Flows*

*Internal Service Fund*

*For the Fiscal Year Ended June 30, 2012*

	<u>Self- Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$1,661,651
Cash Payments for Employee Services and Benefits	(3,352)
Cash Payments to Suppliers for Services	(444,944)
Cash Payments for Claims	<u>(1,360,880)</u>
<i>Net Cash Used for Operating Activities</i>	(147,525)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>6,798</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(140,727)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,413,058</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,272,331</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$216,685)
<b>Changes in Assets and Liabilities</b>	
Increase in Accounts Receivable	(5,127)
Decrease in Accounts Payable	(20)
Increase in Deferred Revenue	82,388
Decrease in Claims Payable	<u>(8,081)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$147,525)</u></u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2012*

---

---

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$58,792
Cash and Cash Equivalents in Segregated Accounts	<u>46,961</u>
<i>Total Assets</i>	<u><u>\$105,753</u></u>
 <b>Liabilities</b>	
Due to Students	\$58,792
Intergovernmental Payable	<u>46,961</u>
<i>Total Liabilities</i>	<u><u>\$105,753</u></u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

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

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

The School District is staffed by 63 classified employees, 103 certificated full-time teaching personnel, and 10 administrative employees who provide services to 1,543 students and other community members. The School District currently operates four instructional buildings and one administrative building.

*Reporting Entity*

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

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

The School District participates in five jointly-governed organizations and one insurance purchasing pool. These organizations are the Licking Area Computer Association, the Mid-East Career and Technology Center, the Metropolitan Educational Council, the Coalition of Rural and Appalachian Schools, the Educational Regional Service System Region 12, and the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District has no business-type activities.

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

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

**B. Fund Accounting**

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

**General Fund** The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

**Debt Service Fund** The Debt Service Fund accounts for and reports property tax revenues restricted for the payment of, general long-term debt principal, interest, and related costs.

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

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

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

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

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

**C. Measurement Focus**

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

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

***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

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

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

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2012, investments were limited to nonnegotiable certificates of deposit and federal agency securities. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

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 2012 amounted to \$34,151, which includes \$25,429 assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

***G. Inventory***

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

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

***H. Capital Assets***

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

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

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

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

***I. Interfund Balances***

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

***J. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. See Note 19 for additional information regarding set asides.

***K. Compensated Absences***

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

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

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

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

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

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

***M. Internal Activity***

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

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

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

***N. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**Restricted:** The restricted fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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 external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

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

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

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

***R. Estimates***

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

***S. Budgetary Data***

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

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

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

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

**Note 3 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$64,203	\$0	\$0	\$1,396	\$65,599
Materials and Supplies					
Inventory	24,372	0	0	8,085	32,457
<i>Total Nonspendable</i>	<i>88,575</i>	<i>0</i>	<i>0</i>	<i>9,481</i>	<i>98,056</i>
<u>Restricted for:</u>					
Food Service Operations	0	0	0	244,249	244,249
Athletics and Music	0	0	0	11,099	11,099
Federal and State Grant					
Expenditures	0	0	0	45,191	45,191
Local Grant Expenditures	0	0	0	3,277	3,277
Debt Service Payments	0	2,469,198	0	0	2,469,198
Capital Improvements	0	0	0	289,690	289,690
<i>Total Restricted</i>	<i>0</i>	<i>2,469,198</i>	<i>0</i>	<i>593,506</i>	<i>3,062,704</i>
<u>Committed to:</u>					
Scholarships	0	0	0	4,038	4,038
Capital Projects	0	0	0	34,998	34,998
Other Purposes	123,725	0	0	0	123,725
<i>Total Committed</i>	<i>123,725</i>	<i>0</i>	<i>0</i>	<i>39,036</i>	<i>162,761</i>
<u>Assigned to:</u>					
Capital Improvements	0	0	2,509,213	0	2,509,213
Other Purposes	265,118	0	0	0	265,118
<i>Total Assigned</i>	<i>265,118</i>	<i>0</i>	<i>2,509,213</i>	<i>0</i>	<i>2,774,331</i>
Unassigned:	1,980,707	0	0	(2,420)	1,978,287
<i>Total Fund Balances</i>	<i>\$2,458,125</i>	<i>\$2,469,198</i>	<i>\$2,509,213</i>	<i>\$639,603</i>	<i>\$8,076,139</i>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Unrecorded cash, prepaid items, and fair value adjustments for investments are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
4. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
5. Budgetary revenues and expenditures of the public school support fund and the school store fund are reclassified to the general fund for GAAP Reporting.

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	\$2,545,978
Net Adjustment for Revenue Accruals	(1,948,332)
Net Adjustment for Expenditure Accruals	(87,004)
Beginning of Fiscal Year:	
Segregated Cash Accounts	91
Prepaid Items	41,159
Fair Value Adjustment for Investments	450
End of Fiscal Year:	
Segregated Cash Accounts	(20)
Prepaid Items	(64,203)
Fair Value Adjustment for Investments	(1,202)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	2,321
Adjustment for Encumbrances	(443,997)
Budget Basis	<u><u>\$45,241</u></u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

**Note 5 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,593,702 of the School District's bank balance of \$7,162,495 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments** As of June 30, 2012, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$250,358	11/21/2014
Federal National Mortgage Association Notes	260,504	10/30/2015
Federal National Mortgage Association Medium Term Notes	250,698	11/23/2016
Federal National Mortgage Association Medium Term Notes	251,227	2/8/2017
Total	<u>\$1,012,787</u>	

Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years except for commercial paper and bankers' acceptances which will be limited to 180 days. The Treasurer cannot make investments which she does not reasonably believe can be held until the maturity date.

Credit Risk

The Federal National Mortgage Association Notes and Medium Term Notes carried a rating by Moody's of Aaa. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2012:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal National Mortgage Association Notes	50.44
Federal National Mortgage Association Medium Term Notes	49.56

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

**Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 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 year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Muskingum and Licking 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, 2012, are available to finance fiscal year 2012 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 and public utility property taxes which were measurable as of June 30, 2012 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 reflected 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, 2012, was \$2,607,745, \$2,066,859 was available to the General Fund and \$540,886 was available to the Debt Service Fund. The amount available as an advance at June 30, 2011, was \$357,116, \$280,438 was available to the General Fund and \$76,678 was available to the Debt Service Fund. During fiscal year 2012, Muskingum County changed their second half collection date from a historical August collection date to a June 29 collection date.

On an 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.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$294,597,710	96.78%	\$295,413,880	96.68%
Public Utility Personal	9,804,930	3.22%	10,140,120	3.32%
<b>Total</b>	<b>\$304,402,640</b>	<b>100.00%</b>	<b>\$305,554,000</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$43.39		\$43.39	

**Note 7 - Receivables**

Receivables at June 30, 2012, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes and payment in lieu of taxes are expected to be received within one year.

Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Title I Grant	\$161,798
Race to the Top Grant	111,928
Title VI-B Special Education Grant	50,089
Education Jobs Fund Grant	49,364
Title II-A Grant	36,834
Ohio Teacher Incentive Grant	23,649
Medicaid Reimbursement	8,409
Public Preschool Grant	7,271
Title VI-B Rural and Low Income Grant	5,985
Ohio University - Student Teacher Reimbursements	870
<b>Total</b>	<u><u>\$456,197</u></u>

On July 22, 2004, Muskingum County entered into an enterprise zone agreement with Worthington Foods, Inc. for the purpose of constructing a new facility, improving an existing building, and acquiring inventory to establish a new distribution facility. To encourage these improvements, the property owner was granted a 100 percent exemption from paying real and personal property taxes on the new construction; however, the property owner is required to make payment in lieu of taxes. The School District has agreed to this project and is being made whole for lost real and personal property taxes by receiving payments in lieu of taxes in an amount equal to the real and personal property taxes that otherwise would have been due each year, pursuant to the financing agreement. Subsequent to the phase out of tangible personal property taxes, the School District will continue to receive payments in lieu of taxes in an amount equal to real property that otherwise would have been due each year. The property owner makes payment in lieu of taxes to Muskingum County which is distributed to the School District. These payments are being use to finance improvements and will continue over ten years.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

On December 27, 2006, the City of Zanesville entered into a tax increment financing agreement with Sam's Club, Community Bank, and the Golden Corral for the purpose of public infrastructure improvements consisting of designing, engineering, improving, and constructing a new four-lane roadway and constructing water and sewer upgrades therewith. To encourage these improvements, property owners were granted an exemption from paying real property taxes on the new construction. Sam's Club was granted a 100 percent, thirty-year real property taxes exemption and the Community Bank and Golden Corral were granted a 75 percent, ten year real property taxes exemption. The School District has agreed to this project and is being made whole for lost real property taxes that otherwise would have been due each year, pursuant to the financing agreement. The property owners make payment in lieu of taxes to the City of Zanesville which are distributed to the School District. These payments are being used to finance infrastructure improvements and will continue over ten to thirty years. Based upon the provisions of the agreement, the payments in lieu of taxes include scheduled increases over the thirty year period of the school compensation agreement.

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Nondepreciable Capital Assets</b>				
Land	\$238,420	\$0	\$0	\$238,420
Land Improvements	415,839	0	0	415,839
Construction in Progress	14,858	7,084	(21,942)	0
Total Non-Depreciable Capital Assets	<u>669,117</u>	<u>7,084</u>	<u>(21,942)</u>	<u>654,259</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,553,924	111,171	(24,634)	1,640,461
Building and Improvements	27,138,313	21,942	0	27,160,255
Furniture and Equipment	2,523,054	14,579	0	2,537,633
Vehicles	1,349,763	7,550	0	1,357,313
Total at Historical Cost	<u>32,565,054</u>	<u>155,242</u>	<u>(24,634)</u>	<u>32,695,662</u>
Less Accumulated Depreciation				
Land Improvements	(721,374)	(94,865)	24,634	(791,605)
Buildings and Improvements	(6,942,032)	(651,604)	0	(7,593,636)
Furniture and Equipment	(2,097,277)	(144,238)	0	(2,241,515)
Vehicles	(882,770)	(118,420)	0	(1,001,190)
Total Accumulated Depreciation	<u>(10,643,453)</u>	<u>(1,009,127) *</u>	<u>24,634</u>	<u>(11,627,946)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>21,921,601</u>	<u>(853,885)</u>	<u>0</u>	<u>21,067,716</u>
Governmental Activities Capital Assets, Net	<u>\$22,590,718</u>	<u>(\$846,801)</u>	<u>(\$21,942)</u>	<u>\$21,721,975</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

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

Instruction:	
Regular	\$460,978
Special	83,559
Vocational	31,309
Support Services:	
Pupils	14,213
Instructional Staff	47,810
Administration	73,733
Operation of Maintenance and Plant	68,458
Pupil Transportation	116,742
Extracurricular	33,780
Food Service Operations	78,545
	<hr/>
Total Depreciation Expense	<u>\$1,009,127</u>

**Note 9 - Interfund Transactions**

During fiscal year 2012, the General Fund transferred \$35,000 to the Permanent Improvement Capital Projects Fund for future Ohio School Facilities Project expenditures.

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. By contracting with Trident/Argonaut Insurance Company for liability and property insurance, the School District has addressed these various types of risk.

The types and amounts of coverage are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$45,358,648
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 deductible)	1,000,000
Automobile Liability (\$500 deductible)	1,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$500 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Employment Practices Liability (\$2,500 deductible)	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Commercial Excess Liability	1,000,000
Educators Legal Liability (\$2,500 deductible)	
Errors and Omissions Injury Limit	1,000,000
Aggregate Per Year	3,000,000

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2012.

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

The School District participates in the workers' compensation program provided by the State of Ohio. The School District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 17). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a premium refund or assessment. Employers will pay experience or based rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Comp Management, Inc. serves as the third party administrator of the Program and provides administrative, cost control, and actuarial services. Each year, the School District pays an enrollment fee to the Program to cover the cost of administering the Program.

The School District may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Program prior to withdrawal.

***C. Employee Medical Benefits***

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$233,827 reported in the internal service fund at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$35,000 annually.

Changes in the fund's claims liability amount in fiscal years 2011 and 2012 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2011	\$255,583	\$1,263,901	\$1,277,576	\$241,908
2012	241,908	1,352,799	1,360,880	233,827

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

**Note 11 - Employee Benefits**

***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for certified and classified employees. Upon retirement, certified and classified employees receive payment for one-fourth of their total sick leave accumulation up to 55 days.

***B. Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees from Assurant Employee Benefits through School Claims Services.

***C. Retirement Incentive***

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

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

At June 30, 2012, no retirement incentives were accrued as a liability.

**Note 12 - Defined Benefit Pension Plans**

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

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$230,587, \$228,590, and \$257,467, respectively. For fiscal year 2012, 82 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

***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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$697,299 and \$13,571 for the fiscal year ended June 30, 2012, \$776,111 and \$13,766 for the fiscal year ended June 30, 2011, and \$790,752 and \$20,867 for the fiscal

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

year ended June 30, 2010. For fiscal year 2012, 87 percent has been contributed for the DB plan and 87 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$14,161 made by the School District and \$10,115 made by the plan members. In addition, member contributions of \$9,693 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

***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, 2012, one member of the Board of Education elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 105(e). For fiscal year 2012, .55 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 fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$25,400 in surcharge.

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 for the fiscal years ended June 30, 2012, 2011, and 2010 were \$32,381, \$53,962, and \$5,178, respectively. For fiscal year 2012, 17 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$13,473, \$14,761, and \$13,549 respectively. For fiscal year 2012, 82 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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

**Plan Description** – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$55,772, \$61,832, and \$63,435 respectively. For fiscal year 2012, 87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 14 - Capitalized Leases**

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

During fiscal year 2006, the School District entered into a capital lease with the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program to construct, renovate, improve, furnish, and equip an addition to the School District's existing middle school. The building and equipment constructed and acquired by the lease has been capitalized in the government-wide statements in the amount of \$1,800,000, which is equal to the present value of the future minimum lease payments at the time of acquisition.

The copiers were originally capitalized in the amount of \$111,970. This amount represents the present value of the minimum lease payments at the time of acquisition.

The accumulated depreciation on the building and equipment as of June 30, 2012, was \$303,380. Principal payments in fiscal year 2012 totaled \$75,110 in the governmental funds.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

The following is a schedule of capital assets acquired through capital leases at June 30, 2012 for governmental funds:

Capitalized Leased Assets	Present Value of Future Minimum Lease Payments	Less Accumulated Depreciation 6/30/2012	Net of Accumulated Depreciation
<b><u>Governmental Activities:</u></b>			
Building	\$1,800,000	\$225,000	\$1,575,000
Equipment	111,970	78,380	33,590
Total Governmental Activities	<u>\$1,911,970</u>	<u>\$303,380</u>	<u>\$1,608,590</u>

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	OASBO Expanded Asset Pooled Financing Program	Equipment	Total
2013	\$116,977	\$26,426	\$143,403
2014	117,801	0	117,801
2015	117,488	0	117,488
2016	117,084	0	117,084
2017	117,590	0	117,590
2018-2022	586,228	0	586,228
2023-2027	586,280	0	586,280
2028-2032	585,970	0	585,970
Total Minimum Lease Payments	<u>2,345,418</u>	<u>26,426</u>	<u>2,371,844</u>
Less: Amount Representing Interest	<u>(824,418)</u>	<u>(742)</u>	<u>(825,160)</u>
Present Value of Minimum Lease Payments	<u>\$1,521,000</u>	<u>\$25,684</u>	<u>\$1,546,684</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/2011	Additions	Reductions	Principal Outstanding 6/30/2012	Amounts Due in One Year
<b>Governmental Activities</b>					
School Facilities Construction and Improvement General Obligation Bonds					
Serial Bonds - \$4,735,000 2.00%-3.60%	\$1,970,000	\$0	\$755,000	\$1,215,000	\$470,000
Term Bonds - \$19,215,000 4.00%-5.00%	18,475,000	0	7,675,000	10,800,000	0
Serial/Term Bonds Bond Premium	365,773	0	157,469	208,304	0
Serial/Term Bond Discount	(67,090)	0	(28,883)	(38,207)	0
School Facilities Construction and Improvement Refunding Bonds					
Serial Bonds - \$6,105,000 1.50%-3.125%	0	6,105,000	0	6,105,000	75,000
Term Bonds - \$1,735,000 3.00%	0	1,735,000	0	1,735,000	0
Capital Appreciation Bonds - \$159,592 2.15%-2.37%	0	159,593	0	159,593	0
Deferred Amount on Refunding	0	(500,617)	0	(500,617)	0
Serial Bond Premium	0	81,978	0	81,978	0
Capital Appreciation Bonds Premium	0	633,600	0	633,600	0
Serial/Term Bond Discount	0	(45,771)	0	(45,771)	0
<b>Total General Obligation Bonds</b>	<b>20,743,683</b>	<b>8,168,783</b>	<b>8,558,586</b>	<b>20,353,880</b>	<b>545,000</b>
Capital Leases	1,621,794	0	75,110	1,546,684	73,684
Compensated Absences Payable	700,632	85,573	88,035	698,170	79,313
<b>Total Governmental Activities</b>	<b>\$23,066,109</b>	<b>\$8,254,356</b>	<b>\$8,721,731</b>	<b>\$22,598,734</b>	<b>\$697,997</b>

On March 10, 2003, the School District issued \$23,950,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amounts of \$4,735,000 and \$19,215,000, respectively. The bonds will be retired from the Debt Service Fund. The serial and a portion of the term bonds were sold at a premium of \$520,765, with a portion of the term bonds being sold at a discount of \$95,523. Issuance costs associated with the bond issue were \$274,552 and are deferred. The fiscal year 2012, issuance costs of \$9,805 were amortized. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030. In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new buildings. The School District must implement a maintenance plan and submit it to the Ohio School Facilities Commission every five years for the term of the bonds. During fiscal year 2012, School District advance refunded \$325,000 in serial bonds and \$7,675,000 in term bonds for a total of \$8,000,000. The advance refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the Debt Service Fund using tax revenues. The

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

original bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030, and after the advance refunding the remaining bonds continue to have a final maturity at December 1, 2030.

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$270,000
2016	310,000
Total	<u><u>\$580,000</u></u>

The remaining principal amount of such bonds (\$350,000) will be paid at stated maturity on December 1, 2017.

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$390,000
2019	440,000
2020	490,000
2021	545,000
2022	605,000
2023	665,000
Total	<u><u>\$3,135,000</u></u>

The remaining principal amount of such bonds (\$730,000) will be paid at stated maturity on December 1, 2024.

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$800,000

The remaining principal amount of such bonds (\$870,000) will be paid at stated maturity on December 1, 2026.

The term bonds, remaining after the advance refunding, maturing on December 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100 percent 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:

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

Year	Principal Amount to be Redeemed
2027	\$945,000
2028	1,035,000
2029	1,130,000
Total	<u>\$3,110,000</u>

The remaining principal amount of such bonds (\$1,225,000) will be paid at stated maturity on December 1, 2030.

On May 8, 2012, the School District issued \$7,999,593 School Facilities Construction and Improvement Refunding Bonds that were issued to partially refund the 2003 School Facilities Construction and Improvement General Obligation Bonds. The bonds were issued for a nineteen year period with a final maturity at December 1, 2030. The \$7,999,593 bond issue consists of serial bonds of \$6,105,000, \$1,735,000 term bonds, and \$159,593 in capital appreciation bonds. The serial bonds were issued at a premium in the amount of \$81,978. The capital appreciation bonds were issued at a premium in the amount of \$633,600. The term bonds and a few serial bonds were issued at a discount in the amount of \$45,771. Issuance costs in the amount of \$123,849 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$500,617. This difference is being reported in the accompanying financial statements as a decrease to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$1,257,489. The issuance resulted in a total economic gain in the amount of \$980,556. At the date of refunding, \$8,540,801 was deposited in an irrevocable trust to provide for all future debt service payments on the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements. As of June 30, 2012, \$8,540,801 remained in the escrow account to retire the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds outstanding balance in the amount of \$8,000,000.

The term bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at a redemption price of 100 percent 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:

Year	Principal Amount to be Redeemed
2027	\$565,000
2028	575,000
Total	<u>\$1,140,000</u>

The remaining principal amount of such bonds (\$595,000) will be paid at stated maturity on December 1, 2030.

Principal and interest requirements to retire the long-term general obligation bonds and refunding bonds outstanding at June 30, 2012, are as follows:

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

Fiscal Year	General Obligation Bonds 2003		Refunding Bonds 2012		Total
	Principal	Interest	Principal	Interest	
2013	\$470,000	\$557,174	\$75,000	\$210,593	\$1,312,767
2014	515,000	539,643	115,000	196,488	1,366,131
2015	230,000	526,490	440,000	192,325	1,388,815
2016	270,000	516,950	445,000	185,688	1,417,638
2017	310,000	505,350	445,000	179,013	1,439,363
2018-2022	2,215,000	2,259,125	1,554,593	1,592,098	7,620,816
2023-2027	3,670,000	1,542,175	2,575,000	549,538	8,336,713
2028-2031	4,335,000	456,875	2,350,000	146,241	7,288,116
Totals	<u>\$12,015,000</u>	<u>\$6,903,782</u>	<u>\$7,999,593</u>	<u>\$3,251,984</u>	<u>\$30,170,359</u>

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund and Food Service Fund.

The School District's overall legal debt margin at June 30, 2012, was \$9,338,253, with an unvoted debt margin of \$305,554.

**Note 16 - Jointly Governed Organizations**

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

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services approximately thirty entities within the boundaries of Licking, Fairfield, Perry and Muskingum Counties. These entities consist of public school districts and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and the School District does not have an equity interest in the Association. The Board exercises total control over the operations of LACA including budgeting, appropriating, contracting, and designating management. The School District's payments to LACA for computer services for fiscal year 2012 were \$83,409. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

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

The Mid-East Career and Technology Center is a jointly governed organization providing vocational education services to its fourteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting, and designating management. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2012, the School District made no contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

---

***C. Metropolitan Educational Council***

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 195 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 58 counties in Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating Educational Service Center in Franklin County (18 Educational Service Centers) and one representative from each county. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board.

Each year, each participating school district pays a membership fee to MEC to cover the costs of administering the program. School District payments to MEC for fiscal year 2012 were \$668 for membership. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive., Columbus, OH 43219.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. 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 2012, the School District made a payment of \$325 to the Coalition for a membership fee. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

***E. Educational Regional Service System Region 12***

The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The Advisory Council exercises total control over the operations of ERSS including budgeting, appropriating, contracting, and designating management. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

**Note 17 - Insurance Purchasing Pools**

***Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program***

The Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (Program) is a shared risk pool among school districts in Ohio. Section 4123.29, Ohio Revised Code, permits the establishment of employer group retrospective rating plans for workers' compensation rating purposes. The Program is governed by the Ohio School Board Association (OSBA) Executive Committee that consists of seven members as follows: the president of OSBA, Immediate Past President of OSBA, and five representatives elected from the participating school districts.

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. The School District paid \$1,720 in enrollment fees to the Program.

**Note 18 - Contingencies**

***A. Student Attendance and Grants***

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

---

**B. Litigation**

As of June 30, 2012, the School District is a party in one lawsuit, but the School District has determined that any potential liability will not have a material effect on the financial statements.

**Note 19 - Set Asides**

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

The following cash basis information describes the change in the fiscal year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements Reserve</u>
Set-aside Reserve Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	262,614
Current Year Offsets	(1,693,708)
Qualifying Disbursements	<u>(41,625)</u>
Total	<u><u>(\$1,472,719)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

**Note 20 - Accountability**

The following funds had deficit fund balances at June 30, 2012.

	<u>Deficit Fund Balances</u>
<u>Nonmajor Special Revenue Funds</u>	
Title VI-B	\$2,390
Ohio Teacher Incentive	30

The deficit fund balances are the result of the recognition of payables in accordance with generally accepted accounting principles.

**Note 21 - Subsequent Event**

On September 19, 2012, the School District approved a partial advance bond refunding of \$11,030,000 of the outstanding March 2003 School Facilities Construction and Improvement General Obligation Bonds.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2011/2012	10.555	\$ 38,077	\$ 38,077
Cash Assistance:				
School Breakfast Program	2011/2012	10.553	79,123	79,123
National School Lunch Program	2011/2012	10.555	268,744	268,744
Cash Assistance Subtotal			<u>347,867</u>	<u>347,867</u>
Total Child Nutrition Cluster			<u>385,944</u>	<u>385,944</u>
Total U.S. Department of Agriculture			385,944	385,944
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	67,664	84,436
	2012		<u>542,666</u>	<u>523,976</u>
Total Title I Grants to Local Educational Agencies			610,330	608,412
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	<u>2,216</u>	<u>20,275</u>
Total Title I, Part A Cluster			612,546	628,687
Special Education Cluster:				
Special Education Grants to States	2011	84.027	71,511	79,600
	2012		<u>304,067</u>	<u>301,755</u>
Total Special Education Grants to States			375,578	381,355
ARRA - Special Education Grants to States, Recovery Act	2011	84.391	<u>13,507</u>	<u>38,969</u>
Total Special Education Cluster			389,085	420,324
Safe and Drug Free Schools	2012	84.186	10,000	10,000
Education Technology State Grants	2012	84.318	4,634	
Rural Education	2011	84.358	2,964	5,928
	2012		<u>29,369</u>	<u>26,820</u>
Total Rural Education			32,333	32,748
Improving Teacher Quality State Grants	2011	84.367	11,217	15,370
	2012		<u>116,141</u>	<u>100,408</u>
Total Improving Teacher Quality State Grants			127,358	115,778
ARRA - Teacher Incentive Fund, Recovery Act	2010	84.385	8,569	8,569
	2011		26,963	36,068
	2012		<u>60,723</u>	<u>71,480</u>
Total ARRA - Teacher Incentive Fund, Recovery Act			96,255	116,117
ARRA - Race to the Top, Recovery Act:				
Race to the Top Incentives Grant	2011	84.395A	(963)	10,199
Race to the Top Incentives Grant	2012		25,613	23,269
Ohio Resident Educator Fund	2012		1,050	1,050
Ohio Appalachain Collaboration	2011		43,979	48,865
Ohio Appalachain Collaboration	2012		<u>62,816</u>	<u>60,975</u>
Total ARRA - Race to the Top, Recovery Act			132,495	144,358
Education Jobs Fund	2012	84.410	<u>238,299</u>	<u>234,153</u>
Total U.S. Department of Education			<u>1,643,005</u>	<u>1,702,165</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 2,028,949</u></b>	<b><u>\$ 2,088,109</u></b>

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

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C - FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amount from 2011 to 2012 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Race to the Top Incentive Grant	84.395A	\$ 963



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 7, 2013. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

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

**Dave Yost**  
Auditor of State

January 7, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the West Muskingum Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. 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 opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

As described in finding 2012-01 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding cash management applicable to its Race to the Top and Education Jobs Fund major federal programs. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-01 to be a material weakness.

The School District's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

January 7, 2013

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified - Education Jobs Fund and ARRA – Race to the Top, Recovery Act  Unqualified – Nutrition Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster, CFDA Nos. 10.553 and 10.555  Education Jobs Fund, CFDA No. 84.410  ARRA – Race to the Top, Recovery Act, CFDA No. 84.395A
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2012-01
<b>CFDA Title and Number</b>	Education Jobs Fund, CFDA No. 84.410; ARRA – Race to the Top, Recovery Act, CFDA No. 84.395A
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act and the Indian Self-Determination Act, grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep amounts up to \$100 per year for administrative expenses.

For the Race to the Top grant, seven of the thirteen drawdowns (54%) were not spent by the end of the month as required by the Ohio Department of Education.

For the Education Jobs Fund grant, six of the nine drawdowns (67%) were not spent by the end of the month as required by the Ohio Department of Education.

Interest earned on excess funds was calculated to be less than \$100.

We recommend the Treasurer review fund balances periodically to ensure that all federal receipts are expended within the required period. We also recommend that the School District promptly remit total interest over \$100 per year that may have been earned on the advances to the Department of Education.

**Officials’ Response and Corrective Action Plan:** The average unencumbered cash balance on hand at the end of each month, for the 12 month period July 1, 2011 through June 30, 2012 for the Race to the Top Grant was \$1,462.

The average unencumbered cash balance on hand for the period July 1, 2011 through June 30, 2012 for the Education Jobs Grant was \$1,837.

The Treasurer reviews existing fund balances and estimates necessary project cash advance requests for expenditures monthly in order to anticipate cash flow needs as closely as possible, as reflected in the small balances on hand at the end of each month. The interest earned on funds drawn down during this twelve month period was less than \$100; therefore the District is not required to remit interest earned on unencumbered fund balance at the end of each advance period as a result of the cash management noncompliance. The Treasurer will continue to monitor federal fund balances in the future with the focus to zero funds by the end of the month for which the funds are drawn.



# Dave Yost • Auditor of State

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2013**