



**Auditor of State  
Betty Montgomery**



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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## **INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2002, which collectively comprise the School District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, as of June 30, 2002, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and 38 and Interpretation No. 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2003 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

March 11, 2003

## **West Muskingum Local School District, Ohio**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2002*

The discussion and analysis of the West Muskingum Local School District's financial performance provide an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

#### **Financial Highlights**

Key financial highlights for the fiscal year 2002 are as follows:

- Net assets of governmental activities increased \$752,607.
- General revenues accounted for \$10,595,382 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,694,626, 14 percent of total revenues of \$12,290,008.
- Total assets of governmental activities increased \$738,300 primarily due to increases in cash and cash equivalents.
- The School District had \$11,537,401 in expenses related to governmental activities; only \$1,694,626 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$10,595,382 provided for most of these activities.
- The School District only has one major fund: the general fund. The general fund had \$11,115,965 in revenues and \$10,449,488 in expenditures. The general fund's balance increased \$579,153.

#### **Using this Annual Financial Report**

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

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

## **West Muskingum Local School District, Ohio**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2002*

#### ***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 2002?" 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 method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental activities 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 fund is the general 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2002 compared to 2001.

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

	<u>Governmental Activities</u>	
	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
Current and Other Assets	\$10,113,619	\$9,387,498
Capital Assets	<u>1,811,532</u>	<u>1,799,353</u>
Total Assets	<u>11,925,151</u>	<u>11,186,851</u>
<b>Liabilities</b>		
Long-Term Liabilities	(795,098)	(970,452)
Other Liabilities	<u>(4,797,336)</u>	<u>(4,636,289)</u>
Total Liabilities	<u>(5,592,434)</u>	<u>(5,606,741)</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,716,426	1,531,855
Restricted	1,172,789	1,167,568
Unrestricted	<u>3,443,502</u>	<u>2,880,687</u>
<b>Total Net Assets</b>	<u><u>\$6,332,717</u></u>	<u><u>\$5,580,110</u></u>

Total assets increased \$738,300. The majority of the increase was due to cash, cash equivalents, and investments increasing \$628,526.

Total liabilities only decreased \$14,307. Notes payable and accrued interest decreased \$84,214 because the School District completely repaid the Energy Conservation Notes during fiscal year 2002. Long-term liabilities decreased \$175,354 because the School District completely repaid their prior year bus leases and accounts payable decreased by \$44,345. These decreases were offset by increases in accrued wages, intergovernmental payables, deferred revenues and other liabilities.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2002. Since this is the first year West Muskingum Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*

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

	Governmental Activities
	2002
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$562,491
Operating Grants, Contributions and Interest	1,019,415
Capital Grants and Contributions	112,720
	1,694,626
General Revenue	
Property Taxes	5,209,267
Grants and Entitlements	5,199,298
Investment Earnings	168,510
Miscellaneous	18,307
	10,595,382
Total Revenues	12,290,008
<b>Program Expenses</b>	
Instruction	
Regular	4,890,549
Special	1,345,397
Vocational	302,770
Support Services	
Pupil	263,656
Instructional Staff	716,069
Board of Education	17,611
Administration	1,107,464
Fiscal	276,846
Operation and Maintenance of Plant	953,612
Pupil Transportation	805,303
Central	72,700
Operation of Non-Instructional Services	
Food Service Operations	516,059
Other	8,110
Extracurricular Activities	247,495
Interest and Fiscal Charges	13,760
Total Expenses	11,537,401
<b>Increase in Net Assets</b>	<b>\$752,607</b>

The School District has maintained a stable financial position since the passage of a five year \$600,000 emergency operating levy in November 1993. This levy was renewed in May 1998 and will expire December 30, 2003.

The School District has increased its operating fund cash balance carry-over for the last five years (1998-2002). This has been accomplished by tight fiscal management, often at the expense of educational programs and resources such as technology.

## West Muskingum Local School District, Ohio

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2002*

With the implementation of Parity Aid, the School District was able to add a science teacher in 2002. While the addition of Parity Aid will allow the School District to add new programs, it is not clear if the School District will be able to maintain them.

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

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 75 percent is for regular instruction, 21 percent for special instruction, and 4 percent for vocational instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings 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. Comparisons to 2001 have not been made since they are not available.

**Table 3  
Governmental Activities**

	2002 <u>Total Cost of Services</u>	2002 <u>Net Cost of Services</u>
Program Expenses		
Instruction:		
Regular	\$4,890,549	\$4,672,252
Special	1,345,397	891,451
Vocational	302,770	252,927
Support Services:		
Pupil	263,656	256,753
Instructional Staff	716,069	471,231
Board of Education	17,611	17,611
Administration	1,107,464	1,032,276
Fiscal	276,846	276,846
Operation and Maintenance of Plant	953,612	952,127
Pupil Transportation	805,303	765,075
Central	72,700	56,288
Operation of Non-Instructional Services		
Food Service Operations	516,059	20,280
Other	8,110	640
Extracurricular Activities	247,495	163,258
Interest and Fiscal Charges	13,760	13,760
<b>Totals</b>	<b><u>\$11,537,401</u></b>	<b><u>\$9,842,775</u></b>

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

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*

**The School District Funds**

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,441,296 and expenditures of \$11,834,424. As previously discussed, the School District remains financially stable.

***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 2002, the School District amended its general fund appropriations, none significant.

Budget basis revenue was \$11,042,257 compared to original estimates of \$10,300,383. Of this \$741,874 difference, most was due to conservative tax estimates, based on the County Auditor's Certification, Parity Aid, and interest.

The School District's ending unobligated general fund balance was \$2,472,050.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2002, the School District had \$1,811,532 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2002 balances compared to 2001.

**Table 4**  
**Capital Assets at June 30, 2002**  
**(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2002</u>	<u>2001</u>
Land and Land Improvements	\$99,175	\$99,175
Buildings and Improvements	1,260,278	1,374,423
Furniture and Equipment	347,109	279,784
Vehicles	104,970	45,971
<b>Totals</b>	<b><u><u>\$1,811,532</u></u></b>	<b><u><u>\$1,799,353</u></u></b>

During fiscal year 2002, the School District purchased various furniture, equipment and vehicles. See Note 8 for additional information regarding capital assets.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*

***Debt***

On June 15, 2002, the School District completely repaid the Energy Conservation Notes. The School District had \$95,106 in capital leases outstanding at June 30, 2002. See Note 15 for more detailed information of the School District's debt.

***Set-asides***

For fiscal year 2002, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2002, this amounted to \$219,973 for each set aside. For fiscal year 2002, the School District had qualifying disbursements and offsets exceeding the \$219,973 requirement for textbooks and capital maintenance.

***Economic Factors***

West Muskingum Local School District is currently financially stable. As the preceding information shows, the School District relies heavily on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District should be able to maintain financial stability with careful financial planning and prudent fiscal management. However, the renewal or replacement of the current \$600,000 emergency, which will expire in December 2003, is critical to this stability. The loss of this revenue would mean the School District would be unable to maintain its current level of operations and may necessitate a cut in programs.

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

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

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**West Muskingum Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2002*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,505,926
Accounts Receivable	14,082
Materials and Supplies Inventory	20,321
Intergovernmental Receivable	67,183
Accrued Interest Receivable	62,108
Prepaid Items	8,146
Property Taxes Receivable	5,435,853
Nondepreciable Capital Assets	99,175
Depreciable Capital Assets, Net	<u>1,712,357</u>
<i>Total Assets</i>	<u>11,925,151</u>
<b>Liabilities</b>	
Accounts Payable	51,935
Accrued Wages and Benefits Payable	1,043,014
Matured Severance Payable	8,282
Retirement Incentive Payable	54,000
Deferred Revenue	3,210,276
Intergovernmental Payable	305,137
Claims Payable	124,692
Long-Term Liabilities:	
Due Within One Year	142,412
Due In More Than One Year	<u>652,686</u>
<i>Total Liabilities</i>	<u>5,592,434</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,716,426
Restricted for:	
Capital Projects	840,280
Debt Service	1,817
Other Purposes	330,692
Unrestricted	<u>3,443,502</u>
<i>Total Net Assets</i>	<u><u>\$6,332,717</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, 2002*

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,890,549	\$67,689	\$101,430	\$49,178	(\$4,672,252)
Special	1,345,397	6,745	447,201	0	(891,451)
Vocational	302,770	0	49,843	0	(252,927)
Support Services:					
Pupil	263,656	0	6,903	0	(256,753)
Instructional Staff	716,069	1,249	236,687	6,902	(471,231)
Board of Education	17,611	0	0	0	(17,611)
Administration	1,107,464	58,061	17,127	0	(1,032,276)
Fiscal	276,846	0	0	0	(276,846)
Operation and Maintenance of Plant	953,612	1,485	0	0	(952,127)
Pupil Transportation	805,303	0	0	40,228	(765,075)
Central	72,700	0	0	16,412	(56,288)
Operation of Non-Instructional Services:					
Food Service Operations	516,059	343,025	152,754	0	(20,280)
Other	8,110	0	7,470	0	(640)
Extracurricular Activities	247,495	84,237	0	0	(163,258)
Interest and Fiscal Charges	13,760	0	0	0	(13,760)
<b>Totals</b>	<b>\$11,537,401</b>	<b>\$562,491</b>	<b>\$1,019,415</b>	<b>\$112,720</b>	<b>(\$9,842,775)</b>

**General Revenues**

Property Taxes Levied for General Purposes	5,209,267
Grants and Entitlements not Restricted to Specific Programs	5,199,298
Investment Earnings	168,510
Miscellaneous	18,307
<b>Total General Revenues</b>	<b>10,595,382</b>
<i>Change in Net Assets</i>	752,607
<i>Net Assets Beginning of Year - See Note 3</i>	5,580,110
<i>Net Assets End of Year</i>	<b>\$6,332,717</b>

See accompanying notes to the basic financial statements



**West Muskingum Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2002*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,651,441	\$1,137,618	\$3,789,059
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	153,712	0	153,712
Accounts Receivable	13,842	240	14,082
Materials and Supplies Inventory	5,748	14,573	20,321
Intergovernmental Receivable	2,398	64,785	67,183
Interfund Receivable	12,000	0	12,000
Accrued Interest Receivable	62,108	0	62,108
Prepaid Items	8,146	0	8,146
Property Taxes Receivable	5,435,853	0	5,435,853
<b>Total Assets</b>	<b>\$8,345,248</b>	<b>\$1,217,216</b>	<b>\$9,562,464</b>
<b>Liabilities</b>			
Accounts Payable	\$48,251	\$3,684	\$51,935
Accrued Wages and Benefits Payable	932,639	110,375	1,043,014
Matured Severance Payable	8,282	0	8,282
Intergovernmental Payable	188,413	16,767	205,180
Interfund Payable	0	12,000	12,000
Matured Retirement Incentive Payable	14,000	0	14,000
Deferred Revenue	3,693,261	9,942	3,703,203
<b>Total Liabilities</b>	<b>4,884,846</b>	<b>152,768</b>	<b>5,037,614</b>
<b>Fund Balances</b>			
Reserved for Encumbrances	275,370	33,516	308,886
Reserved for Budget Stabilization	50,193	0	50,193
Reserved for Bus Purchase	103,519	0	103,519
Reserved for Property Taxes	1,777,744	0	1,777,744
Undesignated, Reported in:			
General Fund	1,253,576	0	1,253,576
Special Revenue Funds	0	189,486	189,486
Debt Service Fund	0	1,817	1,817
Capital Projects Funds	0	839,629	839,629
<b>Total Fund Balances</b>	<b>3,460,402</b>	<b>1,064,448</b>	<b>4,524,850</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,345,248</b>	<b>\$1,217,216</b>	<b>\$9,562,464</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets  
June 30, 2002*

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**Total Governmental Fund Balances** \$4,524,850

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,811,532

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

Property Taxes Receivable	447,124	
Accrued Interest Receivable	35,861	
Intergovernmental Receivable	9,942	492,927

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. 438,463

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (99,957)

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

Capital Leases Payable	(95,106)	
Matured Severance Payable	(699,992)	
Retirement Incentive Payable	(40,000)	(835,098)

Net Assets of Governmental Activities \$6,332,717

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, 2002*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$5,284,811	\$0	\$5,284,811
Intergovernmental	5,542,356	837,580	6,379,936
Interest	194,572	1,215	195,787
Tuition and Fees	74,434	0	74,434
Extracurricular Activities	0	136,276	136,276
Rentals	1,485	0	1,485
Charges for Services	0	343,025	343,025
Contributions and Donations	0	7,235	7,235
Miscellaneous	18,307	0	18,307
<b>Total Revenues</b>	<b>11,115,965</b>	<b>1,325,331</b>	<b>12,441,296</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,746,000	178,174	4,924,174
Special	1,120,314	238,627	1,358,941
Vocational	309,265	6,008	315,273
Support Services:			
Pupils	252,704	7,494	260,198
Instructional Staff	427,367	277,861	705,228
Board of Education	17,636	0	17,636
Administration	1,119,392	67,729	1,187,121
Fiscal	271,660	0	271,660
Operation and Maintenance of Plant	931,124	0	931,124
Pupil Transportation	844,532	0	844,532
Central	52,700	20,000	72,700
Operation of Non-Instructional Services:			
Food Service Operations	0	495,510	495,510
Other Non-Instructional Services	0	8,110	8,110
Extracurricular Activities	144,016	85,423	229,439
Debt Service:			
Principal Retirement	199,018	0	199,018
Interest and Fiscal Charges	13,760	0	13,760
<b>Total Expenditures</b>	<b>10,449,488</b>	<b>1,384,936</b>	<b>11,834,424</b>
Excess of Revenues Over (Under) Expenditures	666,477	(59,605)	606,872
<b>Other Financing Sources (Uses)</b>			
Inception of a Capital Lease	110,626	0	110,626
Transfers In	0	197,950	197,950
Transfers Out	(197,950)	0	(197,950)
<b>Total Other Financing Sources (Uses)</b>	<b>(87,324)</b>	<b>197,950</b>	<b>110,626</b>
Net Change in Fund Balances	579,153	138,345	717,498
Fund Balances Beginning of Year -Restated (See Note 3)	2,881,249	926,103	3,807,352
Fund Balances End of Year	<b>\$3,460,402</b>	<b>\$1,064,448</b>	<b>\$4,524,850</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, 2002*

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**Amounts reported for governmental activities in the statement of activities are different because of the following:** \$717,498

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

Capital Assets Additions	215,447	
Current Year Depreciation	(203,268)	12,179

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

Property Taxes	(75,544)	
Intergovernmental	(49,682)	
Interest	(31,479)	(156,705)

Some expenses reported on the statement of activities, such as matured severance payable and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(73,584)	
Capital Leases Payable	199,018	
Inception of a Capital Lease	(110,626)	
Retirement Incentive Payable	(40,000)	
Matured Severance Payable	86,962	61,770

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

	117,865
	\$752,607

**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, 2002*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$5,365,837	\$5,690,094	\$5,187,402	(\$502,692)
Intergovernmental	4,773,546	4,804,042	5,542,172	738,130
Interest	130,000	166,148	207,455	41,307
Tuition and Fees	20,000	101,376	96,165	(5,211)
Rent	1,000	1,772	1,485	(287)
Gifts and Donations	0	823	0	(823)
Miscellaneous	10,000	19,589	7,578	(12,011)
<i>Total Revenues</i>	<u>10,300,383</u>	<u>10,783,844</u>	<u>11,042,257</u>	<u>258,413</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,649,954	4,570,908	4,775,740	(204,832)
Special	691,431	994,950	1,141,239	(146,289)
Vocational	285,164	308,605	310,793	(2,188)
Support Services:				
Pupils	208,137	219,293	246,382	(27,089)
Instructional Staff	627,934	501,770	470,851	30,919
Board of Education	18,769	19,055	25,515	(6,460)
Administration	979,990	1,101,834	1,106,059	(4,225)
Fiscal	237,095	266,684	277,559	(10,875)
Operation and Maintenance of Plant	1,014,568	1,108,809	1,023,734	85,075
Pupil Transportation	848,755	1,121,047	1,052,051	68,996
Central	39,045	39,145	53,651	(14,506)
Extracurricular Activities	125,159	148,433	146,133	2,300
Capital Outlay	5,000	10,000	2,000	8,000
<i>Total Expenditures</i>	<u>9,731,001</u>	<u>10,410,533</u>	<u>10,631,707</u>	<u>(221,174)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>569,382</u>	<u>373,311</u>	<u>410,550</u>	<u>37,239</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	62,000	3,000	(59,000)
Advances Out	(130,000)	(62,000)	(12,000)	50,000
Transfers Out	0	(197,550)	(197,950)	(400)
<i>Total Other Financing Sources (Uses)</i>	<u>(130,000)</u>	<u>(197,550)</u>	<u>(206,950)</u>	<u>(9,400)</u>
<i>Net Change in Fund Balance</i>	<u>439,382</u>	<u>175,761</u>	<u>203,600</u>	<u>27,839</u>
<i>Fund Balance Beginning of Year</i>	<u>1,936,394</u>	<u>1,936,394</u>	<u>1,936,394</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>322,056</u>	<u>322,056</u>	<u>322,056</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,697,832</u>	<u>\$2,444,211</u>	<u>\$2,472,050</u>	<u>\$27,839</u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2002*

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	Medical-Dental Insurance
<b>Current Assets</b>	
Cash and Cash Equivalents	\$563,155
<b>Current Liabilities</b>	
Claims Payable	124,692
<b>Net Assets</b>	
Unrestricted	\$438,463

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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, 2002*

	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,058,063
<b>Operating Expenses</b>	
Purchased Services	212,176
Claims	733,439
<i>Total Operating Expenses</i>	945,615
<i>Operating Income</i>	112,448
<b>Non-Operating Revenues</b>	
Interest Income	5,417
<i>Change in Net Assets</i>	117,865
<i>Net Assets at Beginning of Year</i>	320,598
<i>Net Assets at End of Year</i>	\$438,463

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, 2002*

	<u>Medical-Dental Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$1,058,063
Cash Payments to Suppliers for Services	(212,176)
Cash Payments for Claims	<u>(736,817)</u>
<i>Net Cash Provided by Operating Activities</i>	109,070
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>5,417</u>
<i>Net Increase in Cash and Cash Equivalents</i>	114,487
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>448,668</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$563,155</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$112,448
<b>Changes in Assets and Liabilities</b>	
Decrease in Claims Payable	<u>(3,378)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$109,070</u></u>

See accompanying notes to the basic financial statements



**West Muskingum Local School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2002*

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<b>Assets</b>	
Cash and Cash Equivalents	<u><u>\$77,569</u></u>
<b>Liabilities</b>	
Due to Students	<u><u>\$77,569</u></u>

See accompanying notes to the basic financial statements

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**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**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/or federal guidelines.

The School District is the 393<sup>rd</sup> largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 73 classified employees, 114 certificated full-time teaching personnel, and 13 administrative employees who provide services to 1,822 students and other community members. The School District currently operates five instructional buildings and one administrative building.

*Reporting Entity*

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

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

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Mid-East Ohio Vocational School, the School Study Council of Ohio, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 17 and 18 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 proprietary fund provided they do not 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, 2002*

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***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 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 is the only major fund of the School District. The following is a description of the General Fund:

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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

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

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

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

***D. Basis of Accounting***

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**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, 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Also, delinquent property taxes receivables have been shown as deferred revenue on a modified accrual basis. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

During fiscal year 2002, investments were limited to money market mutual funds which are reported at fair value, and nonnegotiable certificates of deposit which 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 2002 amounted to \$194,572, which includes \$50,911 assigned from other School District funds.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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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, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

***G. Inventory***

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

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

***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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***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 imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization and revenues restricted for the purchase of buses. See Note 20 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.

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

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

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

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

***M. Interfund Activity***

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

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

***N. Fund Balance Reserves***

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



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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

***O. Net Assets***

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

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 determination are reported as non-operating.

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

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

***R. Estimates***

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

***S. Budgetary Data***

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer 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 issued during fiscal year 2002.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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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.

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

***Changes in Accounting Principles*** For fiscal year 2001, the School District implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", however accrued interest revenue was misposted. For fiscal year 2002, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2002, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

Together with the adoption of the new statements from GASB, the School District implemented a new fixed asset policy which increased the capitalization threshold of capital assets from five hundred dollars to five thousand dollars.

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type and governmental activities. After a reclassification of funds based on the new guidelines established by GASB Statement No. 34, the School District does not report any business-type activities and no longer reports any enterprise funds. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2001, caused by the inclusion of the internal service fund, reclassification of funds based on the guidance provided in Statement No. 34, and the conversion to the accrual basis of accounting.

***Restatement of Fund Balance*** It was determined that food service enterprise fund should be reclassified as a special revenue fund and the uniform school supplies enterprise fund should be reported as part of the general fund. These restatements and the implementation of GASB 33 and Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2001	\$2,944,924	\$852,970	\$3,797,894
Fund Reclassification	8,651	37,603	46,254
Intergovernmental Payable	0	14,668	14,668
GASB 33:			
Unused Donated Commodities	0	11,165	11,165
Deferred Revenue	(67,340)	0	(67,340)
Interpretation 6:			
Matured Severance Payable	23,014	9,697	32,711
Retirement Incentive Payable	<u>(28,000)</u>	<u>0</u>	<u>(28,000)</u>
Adjusted Fund Balance, June 30, 2001	<u>\$2,881,249</u>	<u>\$926,103</u>	\$3,807,352
GASB 34 Adjustments:			
Capital Assets			1,799,353
Internal Service Fund			320,598
Pension Obligation			(26,373)
Long-Term Liabilities			(970,452)
Deferred Revenue			<u>649,632</u>
Governmental Activities Net Assets, June 30, 2001			<u>\$5,580,110</u>
		<u>Business-type Activities</u>	
Fund Equity, June 30, 2001		<u>\$120,038</u>	
Fund Reclassification		<u>(120,038)</u>	
Adjusted Net Assets, June 30, 2001		<u>\$0</u>	

As a result of increasing the threshold for capital assets, the amount reported as of June 30, 2001 was decreased to \$1,799,353 from \$8,482,707.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 4 - Budgetary Basis of Accounting**

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$579,153
Net Adjustment for Revenue Accruals	(70,708)
Prepaid Items	(4,121)
Net Adjustment for Expenditure Accruals	32,377
Adjustment for Encumbrances	<u>(333,101)</u>
Budget Basis	<u><u>\$203,600</u></u>

**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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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.

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$3,518,380 and the bank balance was \$3,947,674. Of the bank balance:

1. \$500,000 was covered by federal depository insurance; and
2. \$3,447,674 was uninsured and uncollateralized. Although all State 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.

**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual fund investments are not classified by risk because they are not evidenced by securities that exist in physical or book entry form.

	<u>Market Value</u>
Money Market Mutual Funds	\$1,065,115

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$4,583,495	\$0
Investment which is part of the Cash Management Pool:		
Money Market Mutual Funds	<u>(1,065,115)</u>	<u>1,065,115</u>
GASB Statement 3	<u>\$3,518,380</u>	<u>\$1,065,115</u>

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$189,563,840	84.78%	\$195,353,980	85.32%
Public Utility Personal	11,642,250	5.21%	8,651,930	3.78%
Tangible Personal Property	22,385,000	10.01%	24,955,530	10.90%
Total	<u>\$223,591,090</u>	<u>100.00%</u>	<u>\$228,961,440</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.80		\$43.70	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2002 tangible personal property tax settlement from Licking County was not received until July of 2002.

The School District receives property taxes from Muskingum and Licking County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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Accrued property taxes receivable includes personal property and public utility taxes which are measurable as of June 30, 2002 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 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2002, was \$1,777,744 and is recognized as revenue within the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**Note 7 - Receivables**

Receivables at June 30, 2002, consisted of property 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 are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
CAFS Reimbursement	\$483
Worker's Compensation Refund	184
School Lunch Reimbursement	18,247
Federal Grants	46,538
Tuition from Other Districts	<u>1,731</u>
Total	<u><u>\$67,183</u></u>



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance June 30, 2001	Additions	Deletions	Balance June 30, 2002
<b>Nondepreciable Capital Assets</b>				
Land and Land Improvements	<u>\$99,175</u>	<u>\$0</u>	<u>\$0</u>	<u>\$99,175</u>
<b>Depreciable Capital Assets</b>				
Building and Improvements	5,260,935	0	0	5,260,935
Furniture and Equipment	675,549	121,499	0	797,048
Vehicles	1,260,360	93,948	0	1,354,308
Total at Historical Cost	<u>7,196,844</u>	<u>215,447</u>	<u>0</u>	<u>7,412,291</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,886,512)	(114,145)	0	(4,000,657)
Furniture and Equipment	(395,765)	(54,174)	0	(449,939)
Vehicles	<u>(1,214,389)</u>	<u>(34,949)</u>	<u>0</u>	<u>(1,249,338)</u>
Total Accumulated Depreciation*	<u>(5,496,666)</u>	<u>(203,268)</u>	<u>0</u>	<u>(5,699,934)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$1,700,178</u>	<u>\$12,179</u>	<u>\$0</u>	<u>\$1,712,357</u>
Governmental Activities Capital Assets, Net	<u><u>\$1,799,353</u></u>	<u><u>\$12,179</u></u>	<u><u>\$0</u></u>	<u><u>\$1,811,532</u></u>

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

Instruction:	
Regular	\$83,313
Special	14,847
Vocational	5,009
Support Services:	
Pupil	896
Instructional Staff	9,656
Board of Education	0
Administration	9,018
Operation of Maintenance and Plant	14,755
Pupil Transportation	32,509
Extracurricular	19,335
Food Service Operations	<u>13,930</u>
Total Depreciation Expense	<u><u>\$203,268</u></u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 9 - Interfund Transfers and Balances**

Transfers made during fiscal year 2002 were \$197,950 from the general fund to the permanent improvement capital projects fund for \$120,000 for emergency repairs, \$70,000 to the technology capital projects fund for replacing computers, and \$7,950 to the food service special revenue fund to buy equipment.

Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$12,000	\$0
State Grant Funds	<u>0</u>	<u>12,000</u>
Total	<u><u>\$12,000</u></u>	<u><u>\$12,000</u></u>

The School District advanced monies from the general fund to the special revenue state grant funds for grant monies not received as of June 30, 2002. The advance will be repaid in fiscal year 2003.

**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Reed and Baur Insurance Agency, through Indiana Insurance, for property, fleet and automobile insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$26,456,246
Inland Marine Coverage (\$500 deductible)	
Equipment	50,000
Musical Instruments	50,000
Fine Arts	50,000
Signs	10,000
Dwellings under construction by vocational shop	100,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 18)

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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

General Liability Per occurrence	\$1,000,000
Aggregate Per Year	3,000,000
Fire Damage	500,000
Medical Expense	10,000
Employers Liability	1,000,000
Education Umbrella Liability Policy	
For General Liability (\$2,500 deductible)	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2002.

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

***C. Employee Medical Benefits***

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$124,692 reported in the internal service fund at June 30, 2002, 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. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$35,000.

**West Muskingum Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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Changes in the fund's claims liability amount in fiscal years 2001 and 2002 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$145,997	\$667,386	\$685,313	\$128,070
2002	128,070	733,439	736,817	124,692

**Note 11 - Employee Benefits**

***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for certified employees and 210 days for classified employees. Upon retirement, certified employees receive payment for one-fourth of their total sick leave accumulation up to 51 days. Classified employees, upon retirement, receive payment for one-third of the total sick leave accumulation up to 49 days.

***B. Insurance***

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

***C. Retirement Incentive Payable***

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 12 - Defined Benefit Pension Plans**

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

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 100 E. Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$76,567, \$61,180, and \$63,649, respectively; 48 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$40,066 representing the unpaid contribution for fiscal year 2002. The balance outstanding is reflected as an intergovernmental payable.

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

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$496,845, \$513,670, and \$298,284 respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$84,599 representing the unpaid contribution for fiscal year 2002. The balance outstanding is reflected as an intergovernmental payable.

***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, 2002, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 13 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$235,347 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$141,235.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002*

**Note 14 - Capitalized Leases**

During fiscal year 2002, the School District entered into a new lease agreement for seven copiers and completely repaid a prior bus lease. These lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	General Long-Term Obligations
2003	\$24,667
2004	26,909
2005	26,909
2006	26,909
2007	6,727
Total Minimum Lease Payments	\$112,121
Less: Amount Representing Interest	(17,015)
Present Value of Minimum Lease Payments	<u>\$95,106</u>

The buses have been capitalized in the amount of \$456,198, the present value of the minimum lease payments at the inception of the lease. The equipment has been capitalized in the amount of \$110,626, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of June 30, 2002, was \$18,438. Principal payments in fiscal year 2002 totaled \$199,018 in the governmental funds.

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/2001	Additions	Reductions	Principal Outstanding 6/30/2002	Amounts Due in One Year
<b>Governmental Activities</b>					
Capital Leases	\$183,498	\$110,626	\$199,018	\$95,106	\$18,305
Compensated Absences Payable	786,954	55,367	142,329	699,992	124,107
Total Governmental Activities Long-Term Liabilities	<u>\$970,452</u>	<u>\$165,993</u>	<u>\$341,347</u>	<u>\$795,098</u>	<u>\$142,412</u>

Capital leases will be paid from the general fund. Compensated absences will be paid from the general, food service and federal grant funds.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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The overall debt margin of the School District as of June 30, 2002, was \$20,606,530, with an unvoted debt margin of \$228,961.

**Note 16 – Notes Payable**

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

	Principal Outstanding 6/30/2001	Additions	Deductions	Principal Outstanding 6/30/2002
Energy Conservation Notes	<u>\$84,000</u>	<u>\$0</u>	<u>\$84,000</u>	<u>\$0</u>

**Note 17 - Jointly Governed Organizations**

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

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's total payments to LACA for fiscal year 2002 were \$108,147. Financial statements for LACA can be obtained from their fiscal agent the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

***B. Mid-East Ohio Vocational School***

The Mid-East Ohio Vocational School is a jointly governed organization providing vocational services to its thirteen member school districts. The Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2002 the School District contributed \$435 to the Vocational School. To obtain financial information write to the Mid-East Ohio Vocational School District, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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***C. School Study Council of Ohio***

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2002, the Board consisted of fourteen members. In fiscal year 2002, the School District obtained active membership privileges and paid a membership fee of \$75. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

**Note 18 - Insurance Purchasing Pools**

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

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

***B. Ohio School Plan***

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

**Note 19 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

**B. Litigation**

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

**Note 20 - Set asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation refund monies remaining in the budget reserve set-aside.

Qualifying disbursements in excess of current year set-aside requirements cannot be carried forward as an offset to future set-aside requirements for capital improvements, but can be carried forward for textbooks and other instructional materials. Certain items eligible to be used as offsets to capital improvement set-aside requirements can be carried forward to apply to requirements of future years.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
	<u>          </u>	<u>          </u>	<u>          </u>
Set-aside Reserve Balance as of June 30, 2001	\$50,193	\$0	\$0
Current Year Set-aside Requirement	0	219,973	219,973
Qualifying Disbursements	<u>0</u>	<u>216,454</u>	<u>310,138</u>
Current Year Requirement less Qualifying Disbursements	0	3,519	(90,165)
Beginning Carryover Offsets/Excess Disbursements	0	0	76,071
Current Year Offsets/Excess Disbursements	<u>0</u>	<u>120,000</u>	<u>90,165</u>
Total Available as Offsets/Excess Disbursements	0	120,000	166,236
Current Year Application of Offsets/Excess Disbursements	0	3,519	0
Offsets/Excess Disbursements to be Carried Forward to Future Years	<u>0</u>	<u>116,481</u>	<u>166,236</u>
Set-aside Reserve Balance as of June 30, 2002	<u><u>\$50,193</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the textbook set-asides. The excess of disbursements over current year set-aside requirements for textbooks and instructional materials may be used to reduce the set-aside requirement of future fiscal years. The School District had sufficient offsets to apply to the current fiscal year capital improvements set-aside requirement where no set-aside was required and remaining offsets will be carried to future years.

**Note 21 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Note 22 – Subsequent Event Note**

In November 2002 the residents of the School District passed a \$23,950,000 bond levy as part of the Expedited Local Partnership Program for the purpose of building two new elementary buildings, a new high school, and renovating the middle school.

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**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$	\$ 25,939	\$	\$ 25,543
School Breakfast Program	10.553	48884-05PU-02	5,226		5,226	
National School Lunch Program	10.555	48884-LLP4-02	96,516		96,516	
Total U.S. Department of Agriculture - Nutrition Cluster			101,742	25,939	101,742	25,543
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Educationally Deprived Children - Local Educational Agencies - Title I	84.010	48884-C1S1-01	2,567		91,456	
	84.010	48884-C1S1-02	222,743		166,872	
	84.010	48884-C1S1-01C	40,351		40,351	
Total Title I			265,661		298,679	
Education of the Handicapped	84.027	48884-6BSF-01-P	12,521		26,417	
	84.027	48884-6BSF-02-P	126,768		102,513	
Total Education of the Handicapped			139,289		128,930	
Safe and Drug-Free Schools and Communities: State Grants	84.186	48884-DRS1-01	757		757	
	84.186	48884-DRS1-02	7,127		7,127	
Total Safe and Drug Free Schools and Communities			7,884		7,884	
Eisenhower Professional Development	84.281	48884-MSS1-00			2,295	
	84.281	48884-MSS1-01			6,292	
	84.281	48884-MSS1-02	11,102		629	
Total Eisenhower Professional Development			11,102		9,216	
Innovative Education Program Strategies	84.298	48884-C2S1-02	9,392		9,392	
Technology Literacy Challenge Fund Grants	84.318	48884-TFVL-00	8,411		8,411	
Reducing Class Size Title VI - R	84.340	48884-CRS1-01	5,878		11,220	
	84.340	48884-CRS1-02	62,762		51,770	
Total Reducing Class Size Title VI - R			68,640		62,990	
Total U.S. Department of Education			510,379		525,502	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of MRDD:</i>						
Medical Assistance Program - CAFS	93.778	N/A	9,472		9,472	
Total U.S. Department of Health and Human Services			9,472	0	9,472	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$621,593</b>	<b>\$25,939</b>	<b>\$636,716</b>	<b>\$25,543</b>

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

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2002**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had no significant food commodities in inventory.



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Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 11, 2003, in which we noted the School District adopted Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

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

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

**Betty Montgomery**  
Auditor of State

March 11, 2003





**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of West Muskingum Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control over Compliance**

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

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

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



**Betty Montgomery**  
Auditor of State

March 11, 2003

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

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

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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**WEST MUSKINGUM LOCAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 10, 2003**