



Dave Yost • Auditor of State



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2017**

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MUSKINGUM COUNTY  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School Districts preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 8, 2018

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

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

*Unaudited*

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The discussion and analysis of the West Muskingum Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- Net position of governmental activities decreased \$5,078,112.
- Capital assets increased \$3,603,102 primarily due to current year capital acquisitions and construction expenses exceeding current year depreciation.
- General revenues accounted for \$13,876,499 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,052,052, 23 percent of total revenues of \$17,928,551.
- The School District had \$23,006,663 in expenses related to governmental activities; only \$4,052,052 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$13,876,499 were adequate to provide for these activities.

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

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

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

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

#### **Statement of Net Position 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 2017?" The Statement of Net Position and the Statement of Activities answer this question.

## West Muskingum Local School District, Ohio

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

*Unaudited*

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These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. This change in net position 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 Position and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, extracurricular activities, and debt service.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Debt Service Fund, and the Classroom Facilities Capital Projects Fund.

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

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

### **The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

**Table 1 - Net Position**

	Governmental Activities		
	2017	2016	Change
<b>Assets</b>			
Current and Other Assets	\$15,910,735	\$24,451,256	(\$8,540,521)
Capital Assets	34,756,309	31,153,207	3,603,102
<i>Total Assets</i>	<u>50,667,044</u>	<u>55,604,463</u>	<u>(4,937,419)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	643,756	690,465	(46,709)
Pension	4,703,320	2,054,744	2,648,576
<i>Total Deferred Outflows of Resources</i>	<u>5,347,076</u>	<u>2,745,209</u>	<u>2,601,867</u>
<b>Liabilities</b>			
Other Liabilities	2,862,808	4,480,517	(1,617,709)
Long-Term Liabilities			
Due Within One Year	1,061,326	947,537	113,789
Due In More Than One Year:			
Net Pension Liability	23,645,018	19,003,815	4,641,203
Other Amounts Due in More Than One Year	18,595,611	19,495,769	(900,158)
<i>Total Liabilities</i>	<u>46,164,763</u>	<u>43,927,638</u>	<u>2,237,125</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes/Payment in Lieu of Taxes	6,702,117	5,085,466	1,616,651
Pension	116,241	1,227,457	(1,111,216)
<i>Total Deferred Inflows of Resources</i>	<u>6,818,358</u>	<u>6,312,923</u>	<u>505,435</u>
<b>Net Position</b>			
Net Investment in Capital Assets	16,718,512	11,201,597	5,516,915
Restricted	3,504,754	11,600,954	(8,096,200)
Unrestricted (Deficits)	(17,192,267)	(14,693,440)	(2,498,827)
<b>Total Net Position</b>	<u>\$3,030,999</u>	<u>\$8,109,111</u>	<u>(\$5,078,112)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

## West Muskingum Local School District, Ohio

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

*Unaudited*

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GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The decrease in current and other assets is primarily due to a decrease in equity in pooled cash and cash equivalents and cash and cash equivalents with escrow agent in the amount of \$7,680,312, a decrease in intergovernmental receivables in the amount of \$572,959, and a decrease in property taxes receivable in the amount of \$296,582. During fiscal year 2014, the School District received a grant award in the amount of \$14,598,522 that was recorded as a receivable in the Classroom Facilities Capital Project Fund to the Ohio School Facilities Commission project. During fiscal year 2016, this grant award was increased by \$159,510 for a total grant award of \$14,758,032. The construction of the new elementary school was completed during fiscal year 2017, thus reducing the remaining receivable to a zero balance. The ongoing construction of the Ohio School Facilities Commission Project during fiscal year 2017 resulted in the decrease in equity in pooled cash and cash equivalents. The decrease in property taxes receivable is due to the School District requesting a tax advance in fiscal year 2017 in the amount of \$500,000 against the fiscal year 2018 tax collections. The tax advance was offset by an increase in property taxes certified to be collected by the respective county auditors.

**West Muskingum Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

*Unaudited*

The \$3,603,102 increase in capital assets is primarily due to current year additions in the amount of \$4,811,487 exceeding current year depreciation in the amount of \$1,028,954. The increase in current year additions is due to the completion of the elementary school building under the Ohio School Facilities Commission Project. Capital asset deletions, including accumulated depreciation, totaled \$179,431. The deferred charge on refunding decreased in the amount of \$46,709 due to the amortization for fiscal year 2017.

The \$1,617,709 decrease in other liabilities is primarily due to a decrease in contracts payable as a result of the completion of the elementary school building under the Ohio School Facilities Commission project. At the end of fiscal year 2017, a minimal amount of contracts remained outstanding. This decrease was offset by an increase in claims payable in the amount of \$156,650. The increase is a result of an increase in the number of insurance claims for fiscal year 2017 as compared to fiscal year 2016, based upon information provided by the School District's third party administrator for the self-insurance plan.

Long term liabilities, excluding the pension liability, decreased \$786,369. This decrease was primarily due to principal payments in the amount of \$445,000 for the School Facilities Construction and Improvement 2012 Refunding Bonds, \$340,059 in principal payments for the School Facilities Construction and Improvement 2013 Refunding Bonds, and capital lease principal payments in the amount of \$110,348. Compensated absences reflect an increase of \$8,590.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, and comparisons to fiscal year 2016.

**Table 2 - Changes in Net Position**

<b>Revenues</b>	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Program Revenues</b>			
Charges for Services	\$1,950,378	\$2,145,905	(\$195,527)
Operating Grants, Contributions, and Interest	2,078,510	2,379,519	(301,009)
Capital Grants and Contributions	23,164	44,500	(21,336)
<b>Total Program Revenues</b>	<b>4,052,052</b>	<b>4,569,924</b>	<b>(517,872)</b>
<b>General Revenue</b>			
Property Taxes	7,554,305	8,707,723	(1,153,418)
Payment in Lieu of Taxes	2,660	162,293	(159,633)
Grants and Entitlements	6,151,210	6,446,137	(294,927)
Unrestricted Contributions	5,539	0	5,539
Investment Earnings	42,808	35,013	7,795
Gain on Sale of Capital Asset	26,059	254,431	(228,372)
Miscellaneous Revenue	93,918	29,835	64,083
<b>Total General Revenues</b>	<b>13,876,499</b>	<b>15,635,432</b>	<b>(1,758,933)</b>
<b>Total Revenues</b>	<b>\$17,928,551</b>	<b>\$20,205,356</b>	<b>(\$2,276,805)</b>

(continued)

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

**Table 2 - Changes in Net Position (Continued)**

<b>Program Expenses</b>	Governmental Activities		
	2017	2016	Change
Instruction			
Regular	\$10,109,517	\$8,854,996	\$1,254,521
Special	3,679,526	3,185,599	493,927
Intergovernmental	11,126	10,774	352
Vocational	189,128	163,721	25,407
Student Intervention Services	17,747	19,854	(2,107)
Support Services			
Pupils	705,484	634,269	71,215
Instructional Staff	508,458	548,859	(40,401)
Board of Education	24,334	23,256	1,078
Administration	1,697,213	1,426,417	270,796
Fiscal	530,783	487,985	42,798
Operation and Maintenance of Plant	2,443,845	1,613,264	830,581
Pupil Transportation	1,287,506	1,095,768	191,738
Central	4,322	7,040	(2,718)
Operation of Non-Instructional Services:			
Food Service Operations	750,990	660,596	90,394
Other Non-Instructional Services	49,847	38,809	11,038
Extracurricular Activities	312,471	276,903	35,568
Interest and Fiscal Charges	684,366	640,063	44,303
<i>Total Expenses</i>	<u>23,006,663</u>	<u>19,688,173</u>	<u>3,318,490</u>
<i>Change in Net Position</i>	(5,078,112)	517,183	(5,595,295)
Net Position Beginning of Year	<u>8,109,111</u>	<u>7,591,928</u>	<u>517,183</u>
<b>Net Position End of Year</b>	<u><u>\$3,030,999</u></u>	<u><u>\$8,109,111</u></u>	<u><u>(\$5,078,112)</u></u>

The School District's net position decreased \$5,078,112. Revenues reflect a decrease in the amount of \$2,276,805 primarily due to a decrease in general revenues in the amount of \$1,758,933. This decrease is primarily due to a decrease in property taxes revenue in the amount of \$1,153,418 as a result of a change in collection dates as set by the county auditors. In fiscal year 2017, 42 percent of the School District's revenues were from property taxes, and 34 percent were from unrestricted grants and entitlements.

In November of 2002, the residents of the School District approved a \$23,950,000 bond levy as part of the Expedited Local Partnership Program. The School District built a new high school and renovated the middle school during phase one and one new elementary building was built during phase two. Phase one construction costs were funded entirely by local monies. Phase two was funded with the Ohio School Facilities Commission grant which the School District mentioned prior. On September 18, 2013, the School District Board of Education approved a resolution to move forward with phase two of the project. On September 18, 2013, the local portion of the Ohio School Facilities Commission project was approved. Transfers in the amount of \$600,000 from the General Fund and transfers in the amount of \$2,471,932 from the Permanent Improvement Fund were approved by the Board of Education in fiscal year 2014 and the transfers were receipted into the Classroom Facilities Maintenance Special Revenue Fund in the amount of \$700,000 and into the Classroom Facilities Project Capital Project Fund in the amount of \$2,371,932. The School District also took action in fiscal year 2014 to approve the receipt of \$120,000 in payment in lieu of taxes into the Classroom Facilities Maintenance Special Revenue Fund for the next twenty-three years.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

Due to the approval of this agreement between the School District and the Ohio School Facilities Commission, no local levy was necessary for the Classroom Facilities Maintenance Special Revenue Fund and the School District was originally granted \$14,598,522 by the Ohio School Facilities Commission. As mentioned previously, during fiscal year 2016, an amendment was approved to the original grant which resulted in an increase of \$159,510 in the grant.

Instructional programs comprise approximately 61 percent of total governmental program expenses. Of the instructional expenses, approximately 72 percent is for regular instruction, 26 percent for special instruction and intergovernmental, and 2 percent for vocational and student intervention services instruction.

Support services comprise approximately 31 percent of governmental program expenses of the School District.

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

**Table 3 - Governmental Activities**

	2017 Total Cost of Services	2017 Net Cost of Services	2016 Total Cost of Services	2016 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$10,109,517	\$8,803,575	\$8,854,996	\$7,008,998
Special	3,679,526	2,014,401	3,185,599	2,066,414
Intergovernmental	11,126	0	10,774	0
Vocational	189,128	160,160	163,721	132,539
Student Intervention Services	17,747	17,747	19,854	19,854
Support Services:				
Pupils	705,484	705,484	634,269	634,269
Instructional Staff	508,458	424,734	548,859	101,865
Board of Education	24,334	24,334	23,256	23,256
Administration	1,697,213	1,566,641	1,426,417	1,252,538
Fiscal	530,783	437,108	487,985	367,456
Operation and Maintenance of Plant	2,443,845	2,436,242	1,613,264	1,571,105
Pupil Transportation	1,287,506	1,273,801	1,095,768	1,094,958
Central	4,322	4,322	7,040	7,040
Operation of Non-Instructional Services:				
Food Service Operations	750,990	167,662	660,596	74,349
Other Non-Instructional Services	49,847	46,549	38,809	37,049
Extracurricular Activities	312,471	187,485	276,903	86,496
Interest and Fiscal Charges	684,366	684,366	640,063	640,063
<b>Totals</b>	<u>\$23,006,663</u>	<u>\$18,954,611</u>	<u>\$19,688,173</u>	<u>\$15,118,249</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2017, only 18 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 82 percent is provided through taxes and entitlements.

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

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

*Unaudited*

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### **The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,698,583, expenditures of \$26,746,979, and other financing sources and (uses) of \$249,556.

#### ***General Fund***

The fund balance of the General Fund at June 30, 2017 is \$1,548,919, a decrease of \$2,670,428 from fiscal year 2016. Total revenues decreased by \$1,033,173 as a result of a decrease in the amount available for real estate taxes due to a change in timing of the real estate collections which are set by the county auditors.

#### ***Other Governmental Major Funds***

##### ***Debt Service Fund***

The fund balance of the Debt Service Fund at June 30, 2017 is \$2,379,499, a decrease of \$632,771 from the prior fiscal year. This decrease is due to the debt service payments exceeding the revenue received. The millage was decreased during fiscal year 2017 in the amount of 0.5 mills; therefore, less revenue in taxes were collected due to ample accumulated cash balances necessary to meet current and upcoming debt service payments.

##### ***Classroom Facilities Fund***

The fund balance of the Classroom Facilities Capital Projects Fund at June 30, 2017 is \$153,044, a decrease of \$4,211,404 from the prior fiscal year. Fiscal year 2017, the School District represents the fourth fiscal year of the School District's Ohio School Facilities Commission program for the construction of a new elementary school building. The School District was awarded \$14,598,522 from the Ohio School Facilities Commission program for the construction of this new building. The local share of the project had been provided through via transfers from General Fund in the amount of \$600,000 and transfers from the Permanent Improvement Capital Projects Fund in the amount of \$1,771,932 during fiscal year 2014. As mentioned earlier, the grant award was increased by \$159,910 due to an approved amendment to the project. During fiscal year 2016, the School District transferred \$249,490 into the Classroom Facilities Capital Project Fund from the Permanent Improvement Capital Projects Fund for the increase in the local share portion due to the approved amendment by the Ohio School Facilities Commission. The construction of the new elementary was completed in fiscal year 2017 which resulted in the decrease in fund balance at fiscal year-end.

#### ***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 year 2017, the School District approved original appropriations in the amount of \$16,883,240 including other financing uses. The appropriations were increased to the final budget of \$18,518,975. This increase was due to additional charges associated with the School District's self-insurance program and an increase in costs associated with the students leaving the School District through open enrollment.



**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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The School District received \$472,453 more in revenues and other financing sources than was expected during fiscal year 2017. Budget basis revenues and other financing sources were \$16,164,162 for the original budgeted revenues and \$16,566,554 for the final budgeted revenues. This increase in estimated resources is due to an increase in amounts anticipated to be received in property taxes due to a property tax advance and also an increase in State foundation monies for the fiscal year.

The School District's ending General Fund budgetary balance was \$572,394.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2017, the School District had \$34,756,309 invested in land, land improvements, construction in progress, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to 2016.

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

	Government Activities	
	2017	2016
Land and Land Improvements	\$3,131,469	\$1,069,401
Construction in Progress	0	12,691,860
Buildings and Improvements	30,937,473	16,894,773
Furniture and Equipment	257,755	163,538
Vehicles	429,612	333,635
<b>Totals</b>	<b>\$34,756,309</b>	<b>\$31,153,207</b>

See Note 9 for additional information regarding capital assets.

*Debt*

At June 30, 2017, the School District had \$17,710,579 outstanding in 2012 refunding bonds and 2013 refunding bonds (including premiums, discounts, and capital appreciation bonds accretion), with \$905,000 being due within one year. The bonds were issued for school facilities construction and improvements. During fiscal year 2017, the School District made principal payments in the amount of \$785,059, as well as making a capital appreciation bond accretion payment of \$69,941. Both bonds will be fully repaid in fiscal year 2031. Capital leases outstanding at June 30, 2017 were \$1,280,625 with \$80,559 due in one year. See Note 16 for more detailed information of the School District's debt. The net pension liability under GASB 68 is also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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***Economic Factors***

The West Muskingum Local School District closely monitors the five year forecast and continues to seek ways to avoid deficit spending. The local real estate market has stabilized following the decreased values from prior years; however based upon the effective tax rates of the School District, there is very little increase in real estate tax revenues anticipated, outside of new construction. Muskingum County experienced a triennial update for property valuations in calendar year 2016, receivable calendar year 2017, which generated a small increase in local revenues. The State of Ohio biennial budget, as it relates to 2016-2017 and 2017-2018 school years, resulted in no new State funding dollars to the School District. However, it is important to note that the transitional aide guarantee has prevented declining State revenues.

The inflationary expense increases incurred during 2016-2017, makes budgeting with the objective of maintaining current programs and services very difficult. Monthly expense analysis is performed and departmental budget timelines are requested for a period of 5-10 years, in order to maintain an understanding of the future costs involved with economic inflationary increases which the School District experiences

The residents of the School District approved in 2013 passage of a 5.9 mill, 5 year, emergency levy which has allowed the West Muskingum Local School District a proactive opportunity to maintain current programs and services. The original levy generated an estimated \$1,777,741 per year, less estimated delinquencies. The levy will expire in calendar year 2018. The expiring 5 year, 5.9 mill emergency levy is the most pronounced economic factor that the Board of Education has reviewed, discussed and analyzed as it relates to local residents and to the School District's budget. In order to maintain current programs and services with the corresponding inflationary increases, and to avoid deficit spending, the renewal of the emergency levy is required. Additionally, based upon economic conditions which exist for residents in Muskingum County, the Board of Education felt it imperative that the renewal emergency levy generate the same dollar figure, with no additional taxes. After careful consideration, the Board of Education has approved the placement of the expiring emergency levy on the May 2018 ballot, for a term of 10 years with no annual increase.

Another economic factor the School District has experienced, as well as anticipated, is a stabilized economy with very small, if any, new revenues being introduced into the State of Ohio Educational Budget. With these economic factors in mind, the School District has focused on cash carryover balances in order to balance budgets within the five year forecast period.

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

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

**West Muskingum Local School District, Ohio**

*Statement of Net Position*

*June 30, 2017*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,307,163
Cash and Cash Equivalents with Escrow Agent	239,880
Accounts Receivable	13,346
Intergovernmental Receivable	390,627
Prepaid Items	67,755
Inventory Held for Resale	5,335
Accrued Interest Receivable	1,427
Materials and Supplies Inventory	5,562
Property Taxes Receivable	8,651,771
Payment in Lieu of Taxes Receivable	227,869
Nondepreciable Capital Assets	556,333
Depreciable Capital Assets, Net	34,199,976
<i>Total Assets</i>	<i>50,667,044</i>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	643,756
Pension	4,703,320
<i>Total Deferred Outflows of Resources</i>	<i>5,347,076</i>
<b>Liabilities</b>	
Accounts Payable	137,805
Accrued Wages and Benefits	1,392,535
Matured Compensated Absences	16,622
Contracts Payable	120,254
Accrued Interest Payable	35,493
Intergovernmental Payable	283,720
Retainage Payable	239,800
Claims Payable	636,579
Long-Term Liabilities:	
Due Within One Year	1,061,326
Due In More Than One Year:	
Net Pension Liability (See Note 13)	23,645,018
Other Amounts Due in More Than One Year	18,595,611
<i>Total Liabilities</i>	<i>46,164,763</i>
<b>Deferred Inflows of Resources</b>	
Property Taxes	6,474,248
Payment in Lieu of Taxes	227,869
Pension	116,241
<i>Total Deferred Inflows of Resources</i>	<i>6,818,358</i>
<b>Net Position</b>	
Net Investment in Capital Assets	16,718,512
Restricted for:	
Capital Projects	596,437
Debt Service	1,704,751
Classroom Facilities Maintenance	1,116,776
Other Purposes	86,790
Unrestricted (Deficit)	(17,192,267)
<i>Total Net Position</i>	<i>\$3,030,999</i>

See accompanying notes to the basic financial statements



**West Muskingum Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2017*

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$989,060	\$2,229,269	\$281,033	\$2,334,857	\$5,834,219
Cash and Cash Equivalents with Fiscal Agents	0	0	239,880	0	239,880
Accounts Receivable	12,776	0	0	570	13,346
Payment in Lieu of Taxes Receivable	0	0	0	227,869	227,869
Interfund Receivable	180,000	0	0	4,118	184,118
Intergovernmental Receivable	224,927	0	0	165,700	390,627
Accrued Interest Receivable	1,427	0	0	0	1,427
Prepaid Items	66,815	0	0	940	67,755
Inventory Held for Resale	0	0	0	5,335	5,335
Materials and Supplies Inventory	4,627	0	0	935	5,562
Property Taxes Receivable	7,912,201	739,570	0	0	8,651,771
<b>Total Assets</b>	<b>\$9,391,833</b>	<b>\$2,968,839</b>	<b>\$520,913</b>	<b>\$2,740,324</b>	<b>\$15,621,909</b>
<b>Liabilities</b>					
Accounts Payable	\$127,264	\$0	\$7,815	\$2,726	\$137,805
Accrued Wages and Benefits	1,079,916	0	0	132,330	1,212,246
Matured Compensated Absences	16,622	0	0	0	16,622
Contracts Payable	0	0	120,254	0	120,254
Retainage Payable	0	0	239,800	0	239,800
Interfund Payable	4,118	0	0	30,000	34,118
Intergovernmental Payable	260,202	0	0	23,518	283,720
<b>Total Liabilities</b>	<b>1,488,122</b>	<b>0</b>	<b>367,869</b>	<b>188,574</b>	<b>2,044,565</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	5,923,089	551,159	0	0	6,474,248
Payment in Lieu of Taxes	0	0	0	227,869	227,869
Unavailable Revenues	431,703	38,181	0	102,922	572,806
<b>Total Deferred Inflows of Resources</b>	<b>6,354,792</b>	<b>589,340</b>	<b>0</b>	<b>330,791</b>	<b>7,274,923</b>
<b>Fund Balances</b>					
Nonspendable	71,442	0	0	1,875	73,317
Restricted	0	2,379,499	153,044	1,222,534	3,755,077
Committed	189,258	0	0	22,724	211,982
Assigned	2,237,675	0	0	1,090,246	3,327,921
Unassigned (Deficits)	(949,456)	0	0	(116,420)	(1,065,876)
<b>Total Fund Balances</b>	<b>1,548,919</b>	<b>2,379,499</b>	<b>153,044</b>	<b>2,220,959</b>	<b>6,302,421</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$9,391,833</b>	<b>\$2,968,839</b>	<b>\$520,913</b>	<b>\$2,740,324</b>	<b>\$15,621,909</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Reconciliation of Total Governmental Funds Balances to  
 Net Position of Governmental Activities  
 June 30, 2017*

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**Total Governmental Fund Balances** \$6,302,421

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 34,756,309

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

Property Taxes Receivable	448,423	
Extracurricular Activities	1,100	
Accrued Interest Receivable	441	
Tuition and Fees	10,166	
Other	5,729	
Intergovernmental Receivable	106,947	572,806

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 position. (493,924)

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (35,493)

Deferred outflows of resources represent deferred charges on refundings which are not reported in the funds. 643,756

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

Bonds Payable	(16,268,846)	
Bond Premium	(831,952)	
Bond Discount	67,683	
Capital Appreciation Bonds Accretion	(677,464)	
Capital Leases Payable	(1,280,625)	
Compensated Absences	(665,733)	(19,656,937)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	4,703,320	
Net Pension Liability	(23,645,018)	
Deferred Inflows - Pension	(116,241)	(19,057,939)

**Net Position of Governmental Activities** \$3,030,999

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, 2017*

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$6,894,900	\$591,530	\$0	\$0	\$7,486,430
Payment in Lieu of Taxes	0	0	0	216,085	216,085
Intergovernmental	6,810,786	93,675	552,441	1,354,633	8,811,535
Interest	41,090	0	278	22	41,390
Tuition and Fees	1,675,864	0	0	0	1,675,864
Extracurricular Activities	33,529	0	0	82,471	116,000
Rentals	110	0	0	0	110
Charges for Services	0	0	0	206,236	206,236
Contributions and Donations	24,853	0	0	31,891	56,744
Miscellaneous	79,075	0	7,957	1,157	88,189
<b>Total Revenues</b>	<b>15,560,207</b>	<b>685,205</b>	<b>560,676</b>	<b>1,892,495</b>	<b>18,698,583</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,056,353	0	0	81,628	9,137,981
Special	2,544,805	0	0	860,062	3,404,867
Vocational	149,688	0	0	0	149,688
Student Intervention Services	8,644	0	0	0	8,644
Support Services:					
Pupils	658,812	0	0	0	658,812
Instructional Staff	397,440	0	0	74,196	471,636
Board of Education	24,334	0	0	0	24,334
Administration	1,605,783	0	0	0	1,605,783
Fiscal	493,872	16,875	0	5,488	516,235
Operation and Maintenance of Plant	1,493,539	0	0	63,224	1,556,763
Pupil Transportation	1,353,174	0	0	0	1,353,174
Central	3,257	0	0	0	3,257
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	654,219	654,219
Other Non-Instructional Services	46,324	0	0	3,523	49,847
Extracurricular Activities	231,221	0	0	91,301	322,522
Intergovernmental	0	0	0	11,126	11,126
Capital Outlay	0	0	4,772,080	568,355	5,340,435
Debt Service:					
Principal Retirement	110,348	785,059	0	0	895,407
Interest and Fiscal Charges	66,207	446,101	0	0	512,308
Capital Appreciation Bonds Accretion	0	69,941	0	0	69,941
<b>Total Expenditures</b>	<b>18,243,801</b>	<b>1,317,976</b>	<b>4,772,080</b>	<b>2,413,122</b>	<b>26,746,979</b>
<b>Excess of Revenues Under Expenditures:</b>	<b>(2,683,594)</b>	<b>(632,771)</b>	<b>(4,211,404)</b>	<b>(520,627)</b>	<b>(8,048,396)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	4,100	0	0	201,390	205,490
Inception of a Capital Lease	44,066	0	0	0	44,066
Transfers In	0	0	0	35,000	35,000
Transfers Out	(35,000)	0	0	0	(35,000)
<b>Total Other Financing Sources (Uses)</b>	<b>13,166</b>	<b>0</b>	<b>0</b>	<b>236,390</b>	<b>249,556</b>
<b>Net Change in Fund Balances</b>	<b>(2,670,428)</b>	<b>(632,771)</b>	<b>(4,211,404)</b>	<b>(284,237)</b>	<b>(7,798,840)</b>
Fund Balances Beginning of Year	4,219,347	3,012,270	4,364,448	2,505,196	14,101,261
<b>Fund Balances End of Year</b>	<b>\$1,548,919</b>	<b>\$2,379,499</b>	<b>\$153,044</b>	<b>\$2,220,959</b>	<b>\$6,302,421</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, 2017*

Net Change in Fund Balances - Total Governmental Funds (\$7,798,840)

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

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

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

Capital Assets Additions	4,811,487	
Current Year Depreciation	<u>(1,028,954)</u>	3,782,533

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

Proceeds from Sale of Capital Assets	(205,490)	
Gain on the Sale of Capital Assets	<u>26,059</u>	(179,431)

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

Property Taxes	67,875	
Payment in Lieu of Taxes	(213,425)	
Extracurricular Activities	1,100	
Intergovernmental	(609,856)	
Tuition and Fees	(48,932)	
Miscellaneous	5,729	
Interest	<u>(168)</u>	(797,677)

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

Compensated Absences		(8,590)
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Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position the lease obligation is reported as a liability.

(44,066)

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

Premium Amortization	134,051	
Discount Amortization	(4,925)	
Capital Appreciation Bonds Matured Accretion	69,941	
Accretion of the Capital Appreciation Bonds	(255,449)	
Accrued Interest Payable	<u>974</u>	(55,408)

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

895,407

The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities.

(46,709)

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

56,080

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

1,105,291

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(1,986,702)

Change in Net Position of Governmental Activities

(\$5,078,112)

See accompanying notes to the basic financial statements



**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$7,681,523	\$7,957,532	\$8,457,033	\$499,501
Intergovernmental	6,904,354	6,928,369	6,719,986	(208,383)
Interest	20,000	20,000	42,203	22,203
Tuition and Fees	1,515,485	1,617,853	1,620,214	2,361
Rent	300	300	110	(190)
Gifts and Donations	0	0	19,753	19,753
Miscellaneous	38,200	38,200	25,408	(12,792)
<i>Total Revenues</i>	16,159,862	16,562,254	16,884,707	322,453
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,462,377	9,128,373	9,101,626	26,747
Special	2,224,255	2,551,176	2,568,523	(17,347)
Vocational	146,751	152,545	150,936	1,609
Student Intervention Services	37,400	37,400	17,070	20,330
Support Services:				
Pupils	638,588	666,572	675,413	(8,841)
Instructional Staff	389,763	428,773	398,617	30,156
Board of Education	27,085	27,085	24,606	2,479
Administration	1,404,543	1,528,269	1,575,062	(46,793)
Fiscal	507,053	505,579	496,950	8,629
Operation and Maintenance of Plant	1,423,148	1,627,638	1,578,332	49,306
Pupil Transportation	1,244,436	1,414,850	1,394,129	20,721
Central	6,500	6,500	3,257	3,243
Non-Instructional Services	4,338	47,212	46,324	888
Extracurricular Activities	209,814	209,814	240,678	(30,864)
Debt Service:				
Principal Retirement	58,000	58,000	58,000	0
Interest and Fiscal Charges	64,189	64,189	64,189	0
<i>Total Expenditures</i>	16,848,240	18,453,975	18,393,712	60,263
<i>Excess of Revenues Under Expenditures</i>	(688,378)	(1,891,721)	(1,509,005)	382,716
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	4,300	4,300	4,100	(200)
Advances In	0	0	150,000	150,000
Advances Out	0	(30,000)	(30,000)	0
Transfers Out	(35,000)	(35,000)	(35,000)	0
<i>Total Other Financing Sources (Uses)</i>	(30,700)	(60,700)	89,100	149,800
<i>Net Change in Fund Balance</i>	(719,078)	(1,952,421)	(1,419,905)	532,516
<i>Fund Balance Beginning of Year</i>	1,434,030	1,434,030	1,434,030	0
Prior Year Encumbrances Appropriated	558,269	558,269	558,269	0
<i>Fund Balance End of Year</i>	\$1,273,221	\$39,878	\$572,394	\$532,516

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2017*

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	<u>Self- Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$472,944</u>
<b>Current Liabilities</b>	
Interfund Payable	150,000
Unearned Revenue	180,289
Claims Payable	<u>636,579</u>
<i>Total Liabilities</i>	<u>966,868</u>
<b>Net Position</b>	
Unrestricted (Deficit)	<u><u>(\$493,924)</u></u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Self-Insurance
<b>Operating Revenues</b>	
Charges for Services	\$3,560,765
<b>Operating Expenses</b>	
Purchased Services	564,335
Claims	2,941,936
<i>Total Operating Expenses</i>	3,506,271
<i>Operating Income</i>	54,494
<b>Non-Operating Revenues</b>	
Interest Income	1,586
<i>Change in Net Position</i>	56,080
<i>Net Position (Deficit) at Beginning of Year</i>	(550,004)
<i>Net Position (Deficit) at End of Year</i>	(\$493,924)

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, 2017*

	<u>Self- Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$3,587,682
Cash Payments to Suppliers for Services	(564,335)
Cash Payments for Claims	<u>(2,785,286)</u>
<i>Net Cash Provided by Operating Activities</i>	238,061
<b>Cash Flows from Noncapital Financing Activities</b>	
Advances Out	(150,000)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>1,586</u>
<i>Net Increase in Cash and Cash Equivalents</i>	89,647
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>383,297</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$472,944</u></u>
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Provided by Operating Activities</b>	
Operating Income	\$54,494
<b>Changes in Assets and Liabilities</b>	
Increase in Unearned Revenue	26,917
Increase in Claims Payable	<u>156,650</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$238,061</u></u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2017*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$71,947
Cash and Cash Equivalents in Segregated Accounts	<u>9,521</u>
<i>Total Assets</i>	<u><u>\$81,468</u></u>
 <b>Liabilities</b>	
Due to Students	\$71,947
Intergovernmental Payable	<u>9,521</u>
<i>Total Liabilities</i>	<u><u>\$81,468</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, 2017*

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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 federal guidelines.

The School District is staffed by 74 classified employees, 104 certificated full-time teaching personnel, and 11 administrative employees who provide services to 1,625 students and other community members. The School District currently operates four instructional buildings and one administrative building.

*Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in four jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Mid-East Career and Technology Center, the Metropolitan Educational Technology Association, the Coalition of Rural and Appalachian Schools, the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program, 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 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, 2017*

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

The statement of net position 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The General Fund, Debt Service Fund, and the Classroom Facilities Capital Projects Fund are the major funds of the School District. The following is a description of these funds:

**General Fund** The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund.



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

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

***Classroom Facilities Fund*** The Classroom Facilities Capital Projects Fund is used to account for the receipts and expenditures from the Ohio Facilities Construction Commission for the construction of a new elementary school building.

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

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

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

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

***C. Measurement Focus***

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

***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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position 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 in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

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

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

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

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

The School District has a segregated bank account for payroll. This checking account is presented on the financial statements as cash and cash equivalents in segregated accounts since it is kept separate from the School District treasury.

During fiscal year 2017, investments were limited to federal agency securities which are reported at fair value which are based on quoted market price.

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 2017 amounted to \$41,090, which includes \$28,659 assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**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 position but are not reported in the fund financial statements.

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

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

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

**I. Interfund Balances**

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

**J. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. See Note 21 for additional information regarding set asides.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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***K. Compensated Absences***

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made. For fiscal year 2017, there was no matured compensated absences payable.

***L. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

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

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

***N. Internal Activity***

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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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.

***O. Fund Balance***

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, prepaids, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by State constitution or external resource providers. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (School District Board of Education resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandates payment of resources (from external resources providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the School District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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The School District's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in 2018's appropriated budget.

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

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

***P. Net Position***

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

***Q. Operating Revenues and Expenses***

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

***R. 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.

***S. 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.

***T. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level.

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

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

***U. Bond Premium and Discount***

On the government-wide financial statement, bond premiums and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

***V. Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

**Note 3 - Changes in Accounting Principles**

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**Note 4 - Accountability**

The following fund had deficit fund balances as of June 30, 2017:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Food Service	(\$68,235)
Title VI-B	(17,534)
Title I	(27,061)
Title II-A	(1,715)
 <u>Internal Service Fund:</u>	
Self-Insurance	(493,924)

The deficit in the special revenue funds and internal service fund were a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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Net Change in Fund Balance

GAAP Basis	(\$2,670,428)
Net Adjustment for Revenue Accruals	1,312,850
Net Adjustment for Expenditure Accruals	197,019
Beginning of Fiscal Year:	
Prepaid Items	79,565
Fair Value Adjustment for Investments	744
End of Fiscal Year:	
Prepaid Items	(66,815)
Fair Value Adjustment for Investments	369
To reclassify excess of revenues and other sources of financial resources under expenditures and other uses of financial resources into financial statement fund types	7,505
Advances In	150,000
Advances Out	(30,000)
Adjustment for Encumbrances	(400,714)
Budget Basis	<u><u>(\$1,419,905)</u></u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

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3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$366,739 of the School District's bank balance of \$6,326,989 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

**Investments** Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

**West Muskingum Local School District, Ohio**

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Measurement/Investment	Measurement Amount	Maturity	Moody Ratings	Percentage of Total Investment
Fair Value - Level Two Inputs				
Federal Farm Credit Bank Bonds	\$249,570	under one year	Aaa	49.04
Federal Home Loan Mortgage Notes	<u>259,324</u>	under one year	Aaa	50.96
Total	<u><u>\$508,894</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. All of the School District's investments are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also mentioned, which could require the need to acquire further market data. (Level 2 inputs).

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

**Credit Risk** All investments ratings are Moody's ratings. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District places no limit on the amount it may invest in any one issuer.

**Note 7 - Property Taxes and Tax Abatements**

**A. Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

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Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Muskingum and Licking Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2017, was \$1,729,100, \$1,578,870 was available to the General Fund and \$150,230 was available to the Debt Service Fund. The amount available as an advance at June 30, 2016, was \$3,482,339, \$3,141,003 was available to the General Fund and \$341,336 was available to the Debt Service Fund.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$296,013,020	94.62%	\$301,409,928	94.27%
Public Utility Personal	16,818,250	5.38%	18,306,010	5.73%
Total	<u>\$312,831,270</u>	<u>100.00%</u>	<u>\$319,715,938</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.80		\$46.20	

The tax rate per \$1,000 of assessed valuation decreased by a .6 mills from fiscal year 2016 to fiscal year 2017. The bond millage for the emergency levy decreased by 0.1 mills and the bond millage for debt service requirements decreased by 0.5 mills to reflect the amount of collections necessary.

**B. Tax Abatements**

The School District's property taxes were reduced by an Enterprise Zone agreement entered into by City of Zanesville. The amount of the fiscal year 2017 taxes abated for the School District was \$70,380.

**Note 8 - Receivables**

Receivables at June 30, 2017, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees, and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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All receivables except property taxes and payment in lieu of taxes are expected to be received within one year. The delinquent property taxes amounted to \$448,423 as of June 30, 2017.

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

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Title I Grant	\$63,498
Early Childhood Education	3,999
Motor Vehicle Fuel Tax Refund	2,768
Title II-A Grant	55,615
Title VI-B Special Education Grant	37,235
School Employees Retirement System Refund	984
Fifth Quarter Grant	4,196
Bureau of Workers' Compensation Refund	50,987
State Foundation Adjustments	163,838
Medicaid Reimbursement	5,873
Miscellaneous	1,634
Total	<u><u>\$390,627</u></u>

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

**West Muskingum Local School District, Ohio**  
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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Nondepreciable Capital Assets</b>				
Land	\$158,879	\$0	(\$18,385)	\$140,494
Land Improvements	415,839	0	0	415,839
Construction in Progress	12,691,860	4,596,907	(17,288,767)	0
<b>Total Non-Depreciable Capital Assets</b>	<b>13,266,578</b>	<b>4,596,907</b>	<b>(17,307,152)</b>	<b>556,333</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,664,266	2,256,405	(136,388)	3,784,283
Building and Improvements	26,864,454	14,927,067	(2,025,057)	39,766,464
Furniture and Equipment	2,464,207	154,461	(152,635)	2,466,033
Vehicles	1,546,755	165,414	(183,487)	1,528,682
<b>Total at Historical Cost</b>	<b>32,539,682</b>	<b>17,503,347</b>	<b>(2,497,567)</b>	<b>47,545,462</b>
Less Accumulated Depreciation				
Land Improvements	(1,169,583)	(143,463)	103,899	(1,209,147)
Buildings and Improvements	(9,969,681)	(761,790)	1,902,480	(8,828,991)
Furniture and Equipment	(2,300,669)	(54,264)	146,655	(2,208,278)
Vehicles	(1,213,120)	(69,437)	183,487	(1,099,070)
<b>Total Accumulated Depreciation</b>	<b>(14,653,053)</b>	<b>(1,028,954) *</b>	<b>2,336,521</b>	<b>(13,345,486)</b>
<b>Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>17,886,629</b>	<b>16,474,393</b>	<b>(161,046)</b>	<b>34,199,976</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$31,153,207</b>	<b>\$21,071,300</b>	<b>(\$17,468,198)</b>	<b>\$34,756,309</b>

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

Instruction:	
Regular	\$481,914
Special	140,620
Vocational	22,386
Support Services:	
Pupils	25,095
Instructional Staff	14,213
Administration	66,012
Operation of Maintenance and Plant	99,907
Pupil Transportation	64,078
Central	1,065
Extracurricular Activities	29,065
Food Service Operations	84,599
<b>Total Depreciation Expense</b>	<b>\$1,028,954</b>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**Note 10 - Interfund Transactions**

Interfund balances at June 30, 2017, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General Fund	\$180,000	\$4,118
Other Nonmajor Governmental Funds:		
Food Service	0	30,000
Title VI-B	4,118	0
Total Other Nonmajor Governmental Funds	<u>4,118</u>	<u>30,000</u>
Internal Service Fund:		
Self Insurance	0	150,000
Total All Funds	<u>\$184,118</u>	<u>\$184,118</u>

The interfund receivables/payables are due to the General Fund making an advance in the amount of \$300,000 to the Self-Insurance Internal Service Fund in the prior year to cover the high cost of claims of which \$150,000 was repaid during the current year. The General Fund also made a cash advance to the Food Service Nonmajor Special Revenue Fund during the current year in the amount of \$30,000 to cover a shortage of cash. The General Fund owed money to the Title VI-B Nonmajor Special Revenue Fund for the reimbursement of services provided. The interfund payables are anticipated to be repaid within one year.

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Fund:		
General Fund	\$0	\$35,000
Other Nonmajor Governmental Funds:		
Technology	35,000	0
Total All Funds	<u>\$35,000</u>	<u>\$35,000</u>

During fiscal year 2017, the General Fund transferred \$35,000 to the Technology Capital Projects Fund for the purchase of technological equipment.

**Note 11 - 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 2017, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 18)



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The types and amounts of coverage provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$55,271,259
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 deductible)	1,000,000
Automobile Liability (\$0 deductible)	2,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per Occurrence - Bodily Injury, Property Damage, and Sexual Abuse Injury	2,000,000
Aggregate	4,000,000
Personal and Advertising Injury	2,000,000
Products Completed Operations Aggregate	2,000,000
Educational Legal Liability (\$2,500 deductible)	
Errors and Omissions Injury Limit	2,000,000
Aggregate Per Year	4,000,000

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 2016.

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

The School District participates in the workers' compensation program provided by the State of Ohio. The School District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 18). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a premium refund or assessment. Employers will pay experience or based rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

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**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 \$636,579 reported in the Internal Service Fund at June 30, 2017, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$50,000 annually.

Changes in the fund's claims liability amount in fiscal years 2016 and 2017 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2016	\$424,932	\$2,248,086	\$2,193,089	\$479,929
2017	479,929	2,941,936	2,785,286	636,579

**Note 12 - 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 ten to twenty-five 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 up to a maximum of 30 days. 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 230 days for certified and classified employees. Upon retirement, certified and classified employees receive payment for one-fourth of their total sick leave accumulation up to 57.5 days.

**B. Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to all full time employees through American United Life Insurance Company through the Ohio School Boards Association Life Insurance Program which is administrated by Grady Benefits.

**C. Retirement Incentive**

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

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

**West Muskingum Local School District, Ohio**  
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At June 30, 2017, no retirement incentives were accrued as a liability.

**Note 13 - Defined Benefit Pension Plans**

***A. Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

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

**West Muskingum Local School District, Ohio**  
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Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$270,022 for fiscal year 2017. Of this amount \$19,326 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit.

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For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$835,269 for fiscal year 2017. Of this amount \$95,880 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.06293140%	0.05576889%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.06017550%</u>	<u>0.05748131%</u>	
Change in Proportionate Share	<u><u>-0.00275590%</u></u>	<u><u>0.00171242%</u></u>	
Proportionate Share of the Net			
Pension Liability	\$4,404,291	\$19,240,727	\$23,645,018
Pension Expense	\$449,011	\$1,537,691	\$1,986,702

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$59,403	\$777,418	\$836,821
Changes of assumptions	294,011	0	294,011
Net difference between projected and actual earnings on pension plan investments	363,290	1,597,497	1,960,787
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	71,770	434,640	506,410
School District contributions subsequent to the measurement date	<u>270,022</u>	<u>835,269</u>	<u>1,105,291</u>
Total Deferred Outflows of Resources	<u><u>\$1,058,496</u></u>	<u><u>\$3,644,824</u></u>	<u><u>\$4,703,320</u></u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u><u>\$116,241</u></u>	<u><u>\$0</u></u>	<u><u>\$116,241</u></u>

\$1,105,291 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$170,304	\$489,507	\$659,811
2019	170,041	489,507	659,548
2020	227,457	1,102,513	1,329,970
2021	<u>104,431</u>	<u>728,028</u>	<u>832,459</u>
Total	<u><u>\$672,233</u></u>	<u><u>\$2,809,555</u></u>	<u><u>\$3,481,788</u></u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$5,831,007	\$4,404,291	\$3,210,071

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

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Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$25,569,363	\$19,240,727	\$13,902,150

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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***Changes between Measurement Date and Report Date***

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

***B. 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, 2017, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 14 - Postemployment Benefits**

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

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$31,225.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$31,225, \$29,631, and \$47,551, respectively.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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The fiscal year 2017 amount is an intergovernmental payable at fiscal year-end. The full amount has been contributed for fiscal years 2016 and 2015.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**Note 15 - Capitalized Leases**

The School District has entered into capitalized leases for scoreboards, copiers, fitness equipment, and to construct, renovate, improve, furnish, and equip an addition to the School District's existing middle school. Each lease meets the criteria of a capital lease which is defined as a lease which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

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

During fiscal year 2017, the School District entered into a capital lease for the purchase of scoreboards. The scoreboards were capitalized in the amount of \$44,066. This amount represents the present value of the minimum lease payments at the time of acquisition.

The copiers were originally capitalized in the amount of \$79,500. This amount represents the present value of the minimum lease payments at the time of acquisition.

The accumulated depreciation on the building and equipment as of June 30, 2017, was \$523,754. Principal payments in fiscal year 2017 totaled \$110,348 in the governmental funds.

The following is a schedule of capital assets acquired through capital leases at June 30, 2017 for governmental funds:

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

Capitalized Leased Assets	Present Value of Future Minimum Lease Payments	Less Accumulated Depreciation 6/30/2017	Net of Accumulated Depreciation
<b>Governmental Activities:</b>			
Building	\$1,800,000	\$450,000	\$1,350,000
Equipment	79,500	71,550	7,950
Scoreboards	44,066	2,204	41,862
Total Governmental Activities	<u>\$1,923,566</u>	<u>\$523,754</u>	<u>\$1,399,812</u>

The agreements provide for minimum annual lease payments as follows:

Fiscal Year Ending June 30,	Lease Payments
2018	\$138,098
2019	121,305
2020	117,382
2021	117,388
2022	117,259
2023-2027	586,280
2028-2032	585,971
Total Minimum Lease Payments	<u>1,783,683</u>
Less: Amount Representing Interest	<u>(503,058)</u>
Present Value of Minimum Lease Payments	<u>\$1,280,625</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

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**Note 16 - Long Term Obligations**

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

	Principal Outstanding 6/30/2016	Additions	Reductions	Principal Outstanding 6/30/2017	Amounts Due in One Year
<b>Governmental Activities</b>					
<i>School Facilities Construction and Improvement Refunding Bonds 2012</i>					
Serial Bonds - \$6,105,000 1.50%-3.125%	\$5,030,000	\$0	\$445,000	\$4,585,000	\$455,000
Term Bonds - \$1,735,000 3.00%	1,735,000	0	0	1,735,000	0
Capital Appreciation Bonds - \$159,593 2.15%-2.37%	159,593	0	0	159,593	0
Capital Appreciation Bonds Accretion	282,282	125,856	0	408,138	0
Serial Bond Premium	64,718	0	4,313	60,405	0
Capital Appreciation Bonds Premium	316,800	0	79,200	237,600	0
Serial/Term Bond Discount	(36,135)	0	(2,409)	(33,726)	0
<i>School Facilities Construction and Improvement Refunding Bonds 2013</i>					
Serial Bonds - \$9,795,000 2.00%-3.00%	8,900,000	0	325,000	8,575,000	360,000
Term Bonds - \$1,170,000 3.00%	1,170,000	0	0	1,170,000	0
Capital Appreciation Bonds - \$59,312	59,312	0	15,059	44,253	10,205
Capital Appreciation Bonds Accretion	209,674	129,593	69,941	269,326	79,795
Serial Bond Premium	155,737	0	20,969	134,768	0
Capital Appreciation Bonds Premium	428,748	0	29,569	399,179	0
Serial/Term Bond Discount	(36,473)	0	(2,516)	(33,957)	0
<b>Total General Obligation Bonds</b>	<b>18,439,256</b>	<b>255,449</b>	<b>984,126</b>	<b>17,710,579</b>	<b>905,000</b>
<i>Net Pension Liability:</i>					
SERS	3,590,926	813,365	0	4,404,291	0
STRS	15,412,889	3,827,838	0	19,240,727	0
<b>Total Net Pension Liability</b>	<b>19,003,815</b>	<b>4,641,203</b>	<b>0</b>	<b>23,645,018</b>	<b>0</b>
<i>Capital Leases</i>	1,346,907	44,066	110,348	1,280,625	80,559
<i>Compensated Absences Payable</i>	657,143	122,389	113,799	665,733	75,767
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$39,447,121</b>	<b>\$5,063,107</b>	<b>\$1,208,273</b>	<b>\$43,301,955</b>	<b>\$1,061,326</b>

On May 8, 2012, the School District issued \$7,999,593 School Facilities Construction and Improvement Refunding Bonds that were issued to partially refund the 2003 School Facilities Construction and Improvement General Obligation Bonds. The bonds were issued for a nineteen year period with a final maturity at December 1, 2030. The \$7,999,593 bond issue consists of serial bonds of \$6,105,000, \$1,735,000 term bonds, and \$159,593 in capital appreciation bonds. The serial bonds were issued at a premium in the amount of \$81,978.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

The capital appreciation bonds were issued at a premium in the amount of \$633,600. The term bonds and a few serial bonds were issued at a discount in the amount of \$45,771. Issuance costs were \$123,849. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$500,617. This difference is being reported in the accompanying financial statements as deferred outflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The current year amortization was \$26,348. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$1,257,489. The issuance resulted in a total economic gain in the amount of \$980,556. At the date of refunding, \$8,540,801 was deposited in an irrevocable trust to provide for all future debt service payments on the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. On December 2, 2013, the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds were called and paid in full and the escrow account was closed.

The term bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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

The remaining principal amount of such bonds (\$595,000) will be paid at stated maturity on December 1, 2029.

Principal and interest requirements to retire the 2012 refunding bonds outstanding at June 30, 2017, are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2018	\$455,000	\$172,263	\$0	\$0	\$627,263
2019	0	168,850	89,745	375,255	633,850
2020	0	168,850	69,848	395,152	633,850
2021	465,000	161,875	0	0	626,875
2022	475,000	149,853	0	0	624,853
2023-2027	2,575,000	549,538	0	0	3,124,538
2028-2031	2,350,000	146,241	0	0	2,496,241
Totals	<u>\$6,320,000</u>	<u>\$1,517,470</u>	<u>\$159,593</u>	<u>\$770,407</u>	<u>\$8,767,470</u>

On January 15, 2013, the School District issued \$11,024,312 School Facilities Construction and Improvement Refunding Bonds that were issued to partially refund the 2003 School Facilities Construction and Improvement General Obligation Bonds. The bonds were issued for an eighteen year period with a final maturity at December 1, 2030. The \$11,024,312 bond issue consists of serial bonds of \$9,795,000, \$1,170,000 term bonds, and \$59,312 in capital appreciation bonds. The serial bonds were issued at a premium in the amount of \$229,131. The capital appreciation bonds were issued at a premium in the amount of \$532,239. The term bonds and serial bonds were issued at a discount in the amount of \$45,276. Issuance costs were \$186,170. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$366,506.

**West Muskingum Local School District, Ohio**

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This difference is being reported in the accompanying financial statements as deferred outflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The current year amortization was \$20,361. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$2,285,545. The issuance resulted in a total economic gain in the amount of \$1,821,596. At the date of refunding, \$11,548,699 was deposited in an irrevocable trust to provide for all future debt service payments on the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. On December 2, 2013, the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds were called and paid in full and the escrow account was closed.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2027	\$555,000

The remaining principal amount of such bonds (\$615,000) will be paid at stated maturity on December 1, 2028.

Principal and interest requirements to retire the 2013 refunding bonds outstanding at June 30, 2017, are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2018	\$360,000	\$261,330	\$10,205	\$79,795	\$711,330
2019	275,000	255,203	15,239	194,761	740,203
2020	110,000	251,058	18,809	386,192	766,059
2021	560,000	244,200	0	0	804,200
2022	605,000	231,825	0	0	836,825
2023-2027	3,745,000	887,751	0	0	4,632,751
2028-2031	4,090,000	256,200	0	0	4,346,200
Totals	<u>\$9,745,000</u>	<u>\$2,387,567</u>	<u>\$44,253</u>	<u>\$660,748</u>	<u>\$12,837,568</u>

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

The School District’s overall legal debt margin at June 30, 2017, was \$15,610,087, with an unvoted debt margin of \$319,716.

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, the Food Service, Title VI-B, and Title I Nonmajor Special Revenue Funds. For additional information related to the net pension liability, see Note 13.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**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 twenty-nine school districts, educational service centers, community schools, and nonpublic schools within the boundaries of Licking, Muskingum, Fairfield, Perry, Knox, and Medina Counties. These entities consist of public school districts, private schools, community 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 school districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists.

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2017 were \$82,979. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

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

The Mid-East Career and Technology Center is a jointly governed organization providing vocational education services to its fourteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting, and designating management. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2017, the School District made no contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

***C. Metropolitan Educational Technology Association***

The School District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The School District paid \$619 to META during fiscal year 2017 for membership fees. Financial information can be obtained from David Varda, CFO, 2100 Citygate Drive, Columbus, Ohio 43219.



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members, one elected and one appointed member from each of the seven regions into which the 35 Appalachian counties are divided, and three from Ohio University College of Education. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member school districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2017, the School District had no payments to the Coalition for professional development.

**Note 18 - Insurance Purchasing Pools**

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

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

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. During fiscal year 2017, the School District paid \$2,115 in enrollment fees to the Program.

***B. Ohio School Plan***

The School District participates in the Ohio School Plan (OSP), and insurance purchasing pool. The 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 twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

**B. Litigation**

As of June 30, 2017, the School District had no pending litigation.

**C. School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2017 have been finalized. The impact of the FTE adjustments are reflected on the fiscal year 2017 financial statements.

**Note 20 - Significant Commitments**

**A. Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:	
General Fund	\$400,714
Classroom Facilities	512,878
Nonmajor Governmental Funds	170,473
Total	<u>\$1,084,065</u>

**B. Contractual Commitments**

<u>Vendor</u>	<u>Original Contract</u>	<u>Paid to Date</u>	<u>Amount Remaining</u>
Fanning/Howey Associates, Inc.	\$1,305,743	\$1,250,779	\$54,964
Quandel Construction	15,980,512	15,800,320	180,192
Total	<u>\$17,286,255</u>	<u>\$17,051,099</u>	<u>\$235,156</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**Note 21 - Set Asides**

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

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	265,029
Current Year Offsets	(1,016,190)
Qualifying Disbursements	0
Total	<u>(\$751,161)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

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

**Note 22 - Fund Balances**

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

Fund Balances	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$66,815	\$0	\$0	\$940	\$67,755
Materials and Supplies					
Inventory	4,627	0	0	935	5,562
<i>Total Nonspendable</i>	71,442	0	0	1,875	73,317
<u>Restricted for:</u>					
Athletics and Music	0	0	0	23,131	23,131
State and Federal Grant					
Expenditures	0	0	0	4,196	4,196
Local Grant Expenditures	0	0	0	2,851	2,851
Debt Service Payments	0	2,379,499	0	0	2,379,499
Capital Improvements	0	0	153,044	1,192,356	1,345,400
<i>Total Restricted</i>	0	2,379,499	153,044	1,222,534	3,755,077
<u>Committed to:</u>					
Scholarships	0	0	0	4,922	4,922
Capital Projects	0	0	0	17,802	17,802
Purchases on Order	189,258	0	0	0	189,258
<i>Total Committed</i>	189,258	0	0	22,724	211,982
<u>Assigned to:</u>					
Capital Improvements	0	0	0	1,090,246	1,090,246
Public School Support	15,418	0	0	0	15,418
Assigned to Subsequent Year's					
Appropriations	2,121,099	0	0	0	2,121,099
Purchases on Order	101,158	0	0	0	101,158
<i>Total Assigned</i>	2,237,675	0	0	1,090,246	3,327,921
Unassigned:	(949,456)	0	0	(116,420)	(1,065,876)
<i>Total Fund Balances</i>	<u>\$1,548,919</u>	<u>\$2,379,499</u>	<u>\$153,044</u>	<u>\$2,220,959</u>	<u>\$6,302,421</u>

**Note 23 - Subsequent Events**

On November 15, 2017, the School District's Board of Education approved a Resolution of Necessity for the Renewal of an Emergency Tax Levy which is anticipated to generate \$1,777,741 for each calendar year for ten years. The levy will be placed on the May 2018 ballot.

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**West Muskingum Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Four Fiscal Years (1) \**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0601755%	0.0629314%	0.0605200%	0.0605200%
School District's Proportionate Share of the Net Pension Liability	\$4,404,291	\$3,590,926	\$3,062,883	\$3,598,930
School District's Covered Payroll	\$1,882,664	\$1,886,307	\$1,773,936	\$1,722,084
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	233.94%	190.37%	172.66%	208.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**West Muskingum Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Four Fiscal Years (1) \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.05748131%	0.05576889%	0.05541196%	0.05541196%
School District's Proportionate Share of the Net Pension Liability	\$19,240,727	\$15,412,889	\$13,478,106	\$16,055,032
School District's Covered Payroll	\$6,057,336	\$5,846,386	\$5,675,928	\$6,173,231
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	317.64%	263.63%	237.46%	260.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**West Muskingum Local School District**  
*Required Supplementary Information*  
*Schedule of the School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$270,022	\$263,573	\$248,615	\$245,867
Contributions in Relation to the Contractually Required Contribution	<u>(270,022)</u>	<u>(263,573)</u>	<u>(248,615)</u>	<u>(245,867)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,928,729	\$1,882,664	\$1,886,307	\$1,773,936
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$238,336	\$233,999	\$216,885	\$216,358	\$165,613	\$175,738
<u>(238,336)</u>	<u>(233,999)</u>	<u>(216,885)</u>	<u>(216,358)</u>	<u>(165,613)</u>	<u>(175,738)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,722,084	\$1,739,769	\$1,725,419	\$1,597,917	\$1,683,058	\$1,789,589
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**West Muskingum Local School District**  
*Required Supplementary Information*  
*Schedule of the School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$835,269	\$848,027	\$818,494	\$737,871
Contributions in Relation to the Contractually Required Contribution	<u>(835,269)</u>	<u>(848,027)</u>	<u>(818,494)</u>	<u>(737,871)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$5,966,207	\$6,057,336	\$5,846,386	\$5,675,928
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$802,520	\$725,031	\$803,815	\$824,661	\$843,525	\$853,938
(802,520)	(725,031)	(803,815)	(824,661)	(843,525)	(853,938)
\$0	\$0	\$0	\$0	\$0	\$0
\$6,173,231	\$5,577,162	\$6,183,192	\$6,343,546	\$6,488,654	\$6,568,754
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**West Muskingum Local School District, Ohio**

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2017*

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**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Receipts	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
School Breakfast Program	10.553	2016/2017	\$0	\$4,175	\$4,175
National School Lunch Program	10.555	2016/2017	0	37,578	37,578
Non-Cash Assistance (Food Distribution) Subtotal			0	41,753	41,753
Cash Assistance:					
School Breakfast Program	10.553	2016/2017	0	72,275	72,275
National School Lunch Program	10.555	2016/2017	0	255,906	255,906
Cash Assistance Subtotal			0	328,181	328,181
Total Child Nutrition Cluster			0	369,934	369,934
Total U.S. Department of Agriculture			0	369,934	369,934
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies	84.010	2016 2017	0 0	89,801 378,004	89,801 378,004
Total Title I Grants to Local Educational Agencies			0	467,805	467,805
Special Education Cluster:					
Special Education - Grants to States	84.027	2016 2017	0 0	53,334 286,203	53,334 286,203
Total Special Education Cluster			0	339,537	339,537
Rural Education	84.358	2016	0	444	444
Supporting Effective Instruction State Grants	84.367	2016 2017	0 0	13,200 67,081	13,200 67,081
Total Supporting Effective Instruction State Grants			0	80,281	80,281
Teacher and School Leader Incentive Grants	84.374	2016	0	15,076	14,994
Total U.S. Department of Education			0	903,143	903,061
<b>Total Receipts and Expenditures of Federal Awards</b>			<b>\$0</b>	<b>\$1,273,077</b>	<b>\$1,272,995</b>

The accompanying notes are an integral part of this schedule.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2018.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 8, 2018





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the West Muskingum Local School District's, Muskingum County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 8, 2018

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2017**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> <li>• Child Nutrition Cluster – CFDA #'s 10.553 and 10.555</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	No

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2 CFR 200.511(b)**

**JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	A material noncompliance citation was issued under Ohio Rev. Code § 9.833 as funds were not reserved as necessary to cover potential cost of health care benefits for the officers and employees of the School District.	Partially Corrected	The West Muskingum LSD increased premiums effective 7/1/2016, as well as transferring \$700,000 into the insurance fund during FY2017. Premiums were again increased significantly 7/1/2017 at a level to cover anticipated claims. The issues the district has faced with low balances are a result of catastrophic claims (which current day are no longer included in census.) Increases have been significant. The district is currently in final stages of moving into an insurance consortium with the fully insured option.

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# Dave Yost • Auditor of State

WEST MUSKINGUM LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 20, 2018