



OHIO AUDITOR OF STATE  
**KEITH FABER**





**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2023**

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**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2023**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

East Muskingum Local School District  
Muskingum County  
13505 John Glenn School Road  
New Concord, Ohio 43762

To the Board of Education:

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Muskingum Local School District, Muskingum County, Ohio (School District), as of and for the year ended June 30, 2023, 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.

In our opinion, the accompanying 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 East Muskingum Local School District, Muskingum County, Ohio, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 8, 2024

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

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The discussion and analysis of the East 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, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2023 are as follows:

- The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2023, by \$4,833,705. As a result, the School District's net position increased \$665,871.
- General revenues accounted for \$20,021,670 in revenue or approximately 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$6,951,479 or approximately 26 percent of total revenues of \$26,973,149.
- The School District had \$26,307,278 in expenses related to governmental activities; only \$6,951,479 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental revenues) in the amount of \$20,021,670 were adequate to provide for these programs.

### **Using this Basic Financial Statements 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.

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 and also provide information in more detail than the government-wide statements.

## East Muskingum Local School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

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

#### *Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2023 fiscal year?"

The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 net 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 10. 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 and the Permanent Improvement Levy 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 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.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

**East Muskingum Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

**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 fiscal year 2023 compared to fiscal year 2022.

**Table 1 - Net Position**

	Governmental Activities		
	2023	2022	Change
<b>Assets</b>			
Current and Other Assets	\$20,673,811	\$19,380,779	\$1,293,032
Noncurrent Assets:			
Net OPEB Asset	1,975,229	1,582,637	392,592
Capital Assets	16,747,714	17,068,345	(320,631)
Total Assets	<u>39,396,754</u>	<u>38,031,761</u>	<u>1,364,993</u>
<b>Deferred Outflows of Resources</b>			
Pension	5,068,199	4,932,502	135,697
OPEB	453,869	536,488	(82,619)
Total Deferred Outflows of Resources	<u>5,522,068</u>	<u>5,468,990</u>	<u>53,078</u>
<b>Liabilities</b>			
Current and Other Liabilities	4,111,086	3,729,641	381,445
Long-Term Liabilities:			
Due Within One Year	666,872	735,498	(68,626)
Due in More Than One Year			
Net Pension Liability	21,127,833	12,398,155	8,729,678
Net OPEB Liability	1,102,872	1,479,020	(376,148)
Other Amounts	2,090,712	2,498,461	(407,749)
Total Liabilities	<u>29,099,375</u>	<u>20,840,775</u>	<u>8,258,600</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current			
Year Operations	6,254,516	5,773,207	481,309
Deferred Charge on Refunding	11,375	21,875	(10,500)
Pension	1,825,421	10,001,412	(8,175,991)
OPEB	2,894,430	2,695,648	198,782
Total Deferred Inflows of Resources	<u>10,985,742</u>	<u>18,492,142</u>	<u>(7,506,400)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	16,124,387	15,749,577	374,810
Restricted	3,361,324	2,731,937	629,387
Unrestricted (Deficit)	(14,652,006)	(14,313,680)	(338,326)
Total Net Position	<u>\$4,833,705</u>	<u>\$4,167,834</u>	<u>\$665,871</u>

## East Muskingum Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

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The net pension liability (NPL) is one of the largest liabilities reported by the School District at June 30, 2023. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total assets increased by \$1,364,993 as a combined result of an increase in current and other assets and net OPEB asset. Current and other assets reflect an overall increase in the amount of \$1,293,032. Cash and cash equivalents increased by \$835,814 from the prior fiscal year. Intergovernmental receivables increased by \$452,638 from the prior fiscal year due to an increase in overall grants receivable. The School District also reports a net OPEB asset in the amount of \$1,975,229. See Note 12 for more information. These increases were offset by decreases in Capital Assets. Capital Assets decreased by \$320,631 due to current year capital asset additions being exceeded by current year deletions and depreciation expense.

Total deferred outflows of resources increased in the amount of \$53,078, due to the net differences between expected and actual experience, earnings on investments, payments subsequent to the measurement date, and changes of assumptions related to the School District's proportionate share of the net pension and OPEB liabilities.

Total liabilities increased \$8,258,600. Long-term liabilities increased \$7,877,155 due to the increase in the net pension liability in the amount of \$8,729,678, the decrease in other amounts due in more than one year liabilities in the amount of \$407,749, and the decrease in due in one year in the amount of \$68,626. The decrease in other amounts due in more than one year liabilities is due to payments on outstanding debt. The changes in the net pension and OPEB liabilities represent changes in the School District's proportionate share of the STRS and SERS unfunded benefits. Changes in pension / OPEB benefits, contribution rates, and return on investments affect the balance of these liabilities.

Total deferred inflows of resources decreased \$7,506,400. This decrease was the result of three factors; a decrease in deferred inflows of resources related to pension due to changes in pension plan investments, an increase in deferred inflows of resources related to OPEB due to changes in assumptions, and an increase in deferred inflows of resources for property taxes.

**East Muskingum Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

Table 2 shows the changes in net position for the fiscal year 2023 and comparisons to fiscal year 2022.

**Table 2 - Changes in Net Position**

<b>Revenues</b>	Governmental Activities		
	2023	2022	Change
Program Revenues			
Charges for Services and Sales	\$2,162,899	\$1,549,842	\$613,057
Operating Grants, Contributions, and Interest	4,090,375	5,021,818	(931,443)
Capital Grants and Contributions	698,205	58,194	640,011
Total Program Revenues	<u>6,951,479</u>	<u>6,629,854</u>	<u>321,625</u>
General Revenues			
Property Taxes	9,222,938	9,627,348	(404,410)
Grants and Entitlements	10,680,201	10,384,741	295,460
Investment Earnings/Interest	62,242	(108,738)	170,980
Insurance Recoveries	0	7,196	(7,196)
Miscellaneous	56,289	75,613	(19,324)
Total General Revenues	<u>20,021,670</u>	<u>19,986,160</u>	<u>35,510</u>
Total Revenues	<u>26,973,149</u>	<u>26,616,014</u>	<u>357,135</u>
<b>Program Expenses</b>			
Instruction			
Regular	11,981,377	11,431,500	549,877
Special	3,405,964	3,223,556	182,408
Vocational	285,334	256,832	28,502
Student Intervention Services	990,929	720,189	270,740
Support Services			
Pupils	676,202	728,496	(52,294)
Instructional Staff	466,115	433,908	32,207
Board of Education	27,137	26,999	138
Administration	2,188,301	2,027,834	160,467
Fiscal	629,504	534,498	95,006
Operation and Maintenance of Plant	2,009,672	2,122,801	(113,129)
Pupil Transportation	1,461,544	1,480,758	(19,214)
Central	203,684	180,212	23,472
Food Service Operations	1,178,977	1,171,990	6,987
Extracurricular Activities	802,538	749,586	52,952
Interest	0	2,462	(2,462)
Total Expenses	<u>26,307,278</u>	<u>25,091,621</u>	<u>1,215,657</u>
<i>Change in Net Position</i>	665,871	1,524,393	(858,522)
Net Position Beginning of Year	<u>4,167,834</u>	<u>2,643,441</u>	<u>1,524,393</u>
Net Position End of Year	<u><u>\$4,833,705</u></u>	<u><u>\$4,167,834</u></u>	<u><u>\$665,871</u></u>

**East Muskingum Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

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Net position increased by \$665,871 in fiscal year 2023. Overall revenues reflect an increase in the amount of \$357,135. Program revenues increased in the amount of \$321,625, while general revenues increased by \$35,510. The overall program revenue increase is the result of an increase in charges for services and sales due to a change in the State foundation revenues related to tuition in the amount of \$613,057 and an increase in capital grants and contributions due to the School District was awarded additional federal grants related to the COVID-19 pandemic which a portion were used for capital acquisitions in the amount of \$640,011. The overall increase in program revenues was offset by a decrease in operating grants, contributions, and interest by \$931,443. This was a result of the School District using a larger portion of grant and entitlements for capital acquisitions than operating grants compared to prior fiscal year.

The School District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. As the result of legislation enacted in 1976, the revenue from tax on real property generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up approximately 34 percent of revenues for governmental activities for the School District in fiscal year 2023. The remaining 66 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid and tuition received from students.

Instruction comprises approximately 63 percent of governmental program expenses. Of the instructional expenses, approximately 72 percent is for regular instruction, approximately 20 percent is for special instruction, and approximately 8 percent is for vocational instruction and student intervention services. Overall program expenses increased by \$1,215,657, which is primarily due to pension/OPEB related items as discussed previously.

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**East Muskingum Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

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

**Table 3 - Governmental Activities**

	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
Instruction:				
Regular	\$11,981,377	\$9,663,616	\$11,431,500	\$9,091,948
Special	3,405,964	1,427,871	3,223,556	1,328,751
Vocational	285,334	179,780	256,832	156,757
Student Intervention Services	990,929	990,929	720,189	720,189
Support Services:				
Pupils	676,202	676,202	728,496	649,329
Instructional Staff	466,115	393,886	433,908	409,582
Board of Education	27,137	27,137	26,999	26,999
Administration	2,188,301	2,188,301	2,027,834	2,027,834
Fiscal	629,504	627,142	534,498	478,158
Operation and Maintenance of Plant	2,009,672	1,420,990	2,122,801	2,012,622
Pupil Transportation	1,461,544	1,319,663	1,480,758	1,480,758
Central	203,684	188,264	180,212	165,522
Food Service Operations	1,178,977	(31,573)	1,171,990	(318,214)
Extracurricular Activities	802,538	283,591	749,586	229,070
Interest	0	0	2,462	2,462
Total Expenses	<u>\$26,307,278</u>	<u>\$19,355,799</u>	<u>\$25,091,621</u>	<u>\$18,461,767</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent, with approximately 74 percent of the School District's activities being supported through taxes, unrestricted grants and entitlements, and other general revenues.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues in the amount of \$26,848,929, expenditures in the amount of \$27,283,439, and an overall decrease in fund balance in the amount of \$92,325. The fund balance for all governmental funds at June 30, 2023, is \$7,973,552.

The General Fund had total revenues of \$21,699,734 and expenditures of \$21,970,722. The General Fund's balance at June 30, 2023, decreased \$270,988 as a primary result of an increase in expenditures related to instructional services over the prior year. The General Fund has an ending fund balance of \$4,920,719.

The fund balance of the Permanent Improvement Levy Capital Projects Fund at June 30, 2023, is \$1,508,597, an increase of \$242,224 from the prior year, primarily due to revenue received from insurance recoveries related to a hale storm during the fiscal year.

**East Muskingum Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

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*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.

For the General Fund, budget basis revenues were \$561,499 higher final estimates of \$20,906,835. Of this difference, the majority was due to conservative property tax and tuition and fees revenue estimates.

Budget basis expenditures were \$303,538 lower than final estimates of \$22,034,504. The largest variance in expenditures was in regular instruction. The School District had anticipated additional expenditures in this program that did not occur.

The General Fund unencumbered ending cash balance totaled \$4,389,621, which was \$865,037 above the final budgeted amount of \$3,524,584.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2023, the School District had \$16,747,714 invested in land, land improvements, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles, net of depreciation.

Table 4 shows fiscal year 2023 balances compared to fiscal year 2022 balances.

**Table 4 - Capital Assets, Net of Depreciation**

	Governmental Activities	
	2023	2022
Land	\$238,139	\$238,139
Construction in Progress	33,431	13,663
Land Improvements	672,815	723,445
Buildings and Improvements	13,163,198	13,855,283
Furniture and Equipment	1,126,137	784,615
Vehicles	1,378,863	1,284,338
Intangible Right to Use Assets	135,131	168,862
Totals	<u>\$16,747,714</u>	<u>\$17,068,345</u>

See Note 8 for more detailed information of the School District's capital assets.



**East Muskingum Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

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*Debt*

At June 30, 2023, the School District had \$485,000 in general obligation bonds outstanding, with \$485,000 due within one year. The School District also retired its financed purchase during the fiscal year. The School District's lease payable of \$124,205 has an amount due within one year of \$34,497.

See Note 13 for more detail on the School District's long-term obligations, which includes net pension liability, net OPEB liability, compensated absences payable, and longevity benefits payable.

**Economic Factors**

Based on the most recent five year forecast adopted by the Board of Education, the School District is projecting deficit spending in the amount of \$960,615, in fiscal year 2023, with deficit spending projected to continue fiscal year 2024, fiscal year 2025, fiscal year 2026, and fiscal year 2027. The Board of Education and Administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

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

This financial report is designed to provide our citizen's, taxpayers, 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 Kandi Raach, Treasurer at East Muskingum Local School District, 13505 John Glenn School Road, New Concord, Ohio 43762, or e-mail at [kraach@eastmschools.org](mailto:kraach@eastmschools.org).

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**East Muskingum Local School District, Ohio**

*Statement of Net Position*

*June 30, 2023*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,677,273
Cash and Cash Equivalents in Segregated Accounts	3,075
Accounts Receivable	33,756
Accrued Interest Receivable	8,445
Intergovernmental Receivable	1,232,696
Inventory Held for Resale	40,778
Materials and Supplies Inventory	128,008
Prepaid Items	163,947
Property Taxes Receivable	10,385,833
Net OPEB Asset	1,975,229
Nondepreciable Capital Assets	278,420
Depreciable Capital Assets, Net	16,469,294
<b>Total Assets</b>	<u>39,396,754</u>
<b>Deferred Outflows of Resources</b>	
Pension	5,068,199
OPEB	453,869
<b>Total Deferred Outflows of Resources</b>	<u>5,522,068</u>
<b>Liabilities</b>	
Accounts Payable	111,283
Accrued Wages and Benefits Payable	1,854,425
Intergovernmental Payable	1,014,675
Accrued Interest Payable	195
Matured Compensated Absences Payable	116,196
Matured Longevity Benefits Payable	138,146
Contracts Payable	2,747
Unearned Revenue	599,440
Claims Payable	273,979
Long-Term Liabilities:	
Due Within One Year	666,872
Due in More Than One Year:	
Net Pension Liability	21,127,833
Net OPEB Liability	1,102,872
Other Amounts	2,090,712
<b>Total Liabilities</b>	<u>29,099,375</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	6,254,516
Deferred Charge on Refunding	11,375
Pension	1,825,421
OPEB	2,894,430
<b>Total Deferred Inflows of Resources</b>	<u>10,985,742</u>
<b>Net Position</b>	
Net Investment in Capital Assets	16,124,387
Restricted for:	
Food Service Operations	432,561
Classroom Facilities Maintenance	162,380
Capital Projects	1,598,273
Debt Service	567,232
District Managed Activities	115,162
District Managed Student Activities	82,388
Unclaimed Monies	1,665
OPEB Plan	401,663
Unrestricted (Deficit)	(14,652,006)
<b>Total Net Position</b>	<u>\$4,833,705</u>

See accompanying notes to the basic financial statements



**East Muskingum Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2023*

	General	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,098,319	\$1,235,113	\$1,986,261	\$7,319,693
Cash and Cash Equivalents in Segregated Accounts	0	0	3,075	3,075
Accounts Receivable	16,323	0	17,433	33,756
Intergovernmental Receivable	604,185	0	628,511	1,232,696
Accrued Interest Receivable	8,445	0	0	8,445
Inventory Held for Resale	0	0	40,778	40,778
Materials and Supplies Inventory	118,720	0	9,288	128,008
Prepaid Items	114,391	3,901	45,655	163,947
Interfund Receivable	430,080	0	0	430,080
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,665	0	0	1,665
Property Taxes Receivable	8,975,610	803,645	606,578	10,385,833
<b>Total Assets</b>	<b>\$14,367,738</b>	<b>\$2,042,659</b>	<b>\$3,337,579</b>	<b>\$19,747,976</b>
<b>Liabilities</b>				
Matured Compensated Absences Payable	\$111,750	\$0	\$4,446	\$116,196
Matured Longevity Benefits Payable	129,121	0	9,025	138,146
Accounts Payable	96,691	0	14,592	111,283
Accrued Wages and Benefits Payable	1,653,837	0	200,588	1,854,425
Interfund Payable	0	0	430,080	430,080
Contracts Payable	0	2,747	0	2,747
Unearned Revenue	0	0	599,440	599,440
Intergovernmental Payable	979,496	0	35,179	1,014,675
<b>Total Liabilities</b>	<b>2,970,895</b>	<b>2,747</b>	<b>1,293,350</b>	<b>4,266,992</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes	5,396,502	489,707	368,307	6,254,516
Unavailable Revenue	1,079,622	41,608	131,686	1,252,916
<b>Total Deferred Inflows of Resources</b>	<b>6,476,124</b>	<b>531,315</b>	<b>499,993</b>	<b>7,507,432</b>
<b>Fund Balances</b>				
Nonspendable:				
Materials and Supplies Inventory	118,720	0	9,288	128,008
Prepaid Items	114,391	3,901	45,655	163,947
Unclaimed Monies	1,665	0	0	1,665
Restricted for:				
Food Service Operations	0	0	420,718	420,718
Classroom Facilities Maintenance	0	0	154,728	154,728
Capital Projects	0	1,504,696	0	1,504,696
Debt Service	0	0	539,847	539,847
District Managed Activities	0	0	115,162	115,162
District Managed Student Activities	0	0	82,388	82,388
Assigned to:				
Purchases on Order	32,166	0	0	32,166
Capital Projects	0	0	250,000	250,000
Public School Support	266,427	0	0	266,427
Unassigned (Deficit)	4,387,350	0	(73,550)	4,313,800
<b>Total Fund Balances</b>	<b>4,920,719</b>	<b>1,508,597</b>	<b>1,544,236</b>	<b>7,973,552</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$14,367,738</b>	<b>\$2,042,659</b>	<b>\$3,337,579</b>	<b>\$19,747,976</b>

See accompanying notes to the basic financial statements

**East Muskingum Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2023*

<b>Total Governmental Fund Balances</b>		<b>\$7,973,552</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		16,747,714
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds:		
Grants	73,501	
Delinquent Property Taxes	584,700	
Investment Earnings/Interest	8,445	
Charges for Services and Sales	22,953	
Tuition and Fees	562,167	
Miscellaneous Revenue	1,150	
Total		1,252,916
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 on the statement of net position.		1,081,936
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(195)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Refunding Bonds	(485,000)	
Leases Payable	(124,205)	
Compensated Absences	(816,824)	
Longevity Benefits Payable	(1,331,555)	
Total		(2,757,584)
Deferred inflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		(11,375)
The net OPEB asset and net pension/OPEB liability are not due and payable in the current period and therefore the asset, liability, and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	1,975,229	
Deferred Outflows - Pension	5,068,199	
Deferred Inflows - Pension	(1,825,421)	
Net Pension Liability	(21,127,833)	
Net OPEB Liability	(1,102,872)	
Deferred Outflows - OPEB	453,869	
Deferred Inflows - OPEB	(2,894,430)	
Total		(19,453,259)
Net Position of Governmental Activities		<b>\$4,833,705</b>

See accompanying notes to the basic financial statements

**East Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2023*

	General	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$8,230,578	\$727,383	\$553,233	\$9,511,194
Intergovernmental	11,731,226	55,012	2,948,156	14,734,394
Investment Earnings/Interest	62,159	0	4,720	66,879
Tuition and Fees	1,246,396	0	0	1,246,396
Extracurricular Activities	0	0	331,579	331,579
Rent	8,556	0	0	8,556
Charges for Services and Sales	4,620	0	508,560	513,180
Contributions and Donations	361,060	12,564	0	373,624
Miscellaneous	55,139	0	7,988	63,127
Total Revenues	<u>21,699,734</u>	<u>794,959</u>	<u>4,354,236</u>	<u>26,848,929</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,950,829	85,700	890,115	10,926,644
Special	2,594,568	0	928,172	3,522,740
Vocational	292,265	0	0	292,265
Student Intervention Services	990,929	0	0	990,929
Support Services:				
Pupils	641,956	0	1,454	643,410
Instructional Staff	369,449	0	110,936	480,385
Board of Education	27,137	0	0	27,137
Administration	2,245,496	0	0	2,245,496
Fiscal	695,416	15,438	12,681	723,535
Operation and Maintenance of Plant	1,919,278	559,245	193,999	2,672,522
Pupil Transportation	1,512,201	29,322	93,689	1,635,212
Central	192,884	0	10,800	203,684
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,236,684	1,236,684
Other Non-Instructional Services	0	0	453	453
Extracurricular Activities	450,037	0	311,400	761,437
Capital Outlay	0	79,112	138,776	217,888
Debt Service:				
Principal Retirement	85,828	116,860	485,000	687,688
Interest	2,449	9,243	3,638	15,330
Total Expenditures	<u>21,970,722</u>	<u>894,920</u>	<u>4,417,797</u>	<u>27,283,439</u>
Excess of Revenues Under Expenditures	(270,988)	(99,961)	(63,561)	(434,510)
<b>Other Financing Source</b>				
Insurance Recoveries	<u>0</u>	<u>342,185</u>	<u>0</u>	<u>342,185</u>
Net Change in Fund Balances	(270,988)	242,224	(63,561)	(92,325)
Fund Balances Beginning of Year	<u>5,191,707</u>	<u>1,266,373</u>	<u>1,607,797</u>	<u>8,065,877</u>
Fund Balances End of Year	<u>\$4,920,719</u>	<u>\$1,508,597</u>	<u>\$1,544,236</u>	<u>\$7,973,552</u>

See accompanying notes to the basic financial statements

**East Muskingum Local School District, Ohio**  
*Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2023*

Net Change in Fund Balances - Total Governmental Funds		(\$92,325)
Amounts reported for governmental activities in the statement of activities are different because:		
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/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period:		
Capital Asset Additions - Capital Outlay	1,088,450	
Current Year Depreciation/Amortization	<u>(1,304,879)</u>	(216,429)
Governmental funds report only the disposal of capital 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 proceeds and loss on disposal of capital assets:		
Loss on Disposal of Capital Assets	(47,244)	
Insurance Recoveries	<u>(56,958)</u>	(104,202)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	(288,256)	
Intergovernmental	70,816	
Interest	83	
Tuition and Fees	43,110	
Charges for Services and Sales	20,078	
Miscellaneous	<u>(6,838)</u>	(161,007)
Repayments of principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position:		
General Obligation Refunding Bonds	485,000	
Financed Purchases	168,957	
Leases	<u>33,731</u>	687,688
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued Interest	4,830	
Amortization of Deferred Charge on Refunding	<u>10,500</u>	15,330
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences	(53,454)	
Longevity Benefits Payable	<u>(157,859)</u>	(211,313)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	1,805,997	
OPEB	<u>52,745</u>	1,858,742
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liability are reported as pension/OPEB expense in the statement of activities:		
Pension	(2,223,987)	
OPEB	<u>434,594</u>	(1,789,393)
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 change in net position of the internal service fund is reported with governmental activities.		
		<u>678,780</u>
Change in Net Position of Governmental Activities		<u><u>\$665,871</u></u>

See accompanying notes to the basic financial statements



**East Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$8,002,972	\$8,002,972	\$8,325,666	\$322,694
Intergovernmental	11,719,963	11,719,963	11,704,612	(15,351)
Interest	75,000	75,000	160,751	85,751
Tuition and Fees	1,073,900	1,073,900	1,251,628	177,728
Rent	9,000	9,000	8,556	(444)
Charges for Services	4,200	4,200	4,620	420
Contributions and Donations	2,050	2,050	8,399	6,349
Miscellaneous	19,750	19,750	4,102	(15,648)
<b>Total Revenues</b>	<b>20,906,835</b>	<b>20,906,835</b>	<b>21,468,334</b>	<b>561,499</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,686,055	10,686,055	9,952,992	733,063
Special	2,776,397	2,776,397	2,619,782	156,615
Vocational	334,652	334,652	308,313	26,339
Student Intervention Services	324,964	324,964	990,186	(665,222)
<b>Support Services:</b>				
Pupils	671,772	671,772	639,267	32,505
Instructional Staff	473,584	473,584	381,417	92,167
Board of Education	39,500	39,500	27,325	12,175
Administration	2,426,388	2,426,388	2,278,240	148,148
Fiscal	603,526	603,526	635,427	(31,901)
Operation and Maintenance of Plant	1,913,100	1,913,100	1,826,975	86,125
Pupil Transportation	1,202,882	1,202,882	1,479,472	(276,590)
Central	171,819	171,819	189,258	(17,439)
Extracurricular Activities	321,588	321,588	314,035	7,553
<b>Debt Service:</b>				
Principal Retirement	85,828	85,828	85,828	0
Interest	2,449	2,449	2,449	0
<b>Total Expenditures</b>	<b>22,034,504</b>	<b>22,034,504</b>	<b>21,730,966</b>	<b>303,538</b>
<b>Net Change in Fund Balance</b>	<b>(1,127,669)</b>	<b>(1,127,669)</b>	<b>(262,632)</b>	<b>865,037</b>
Fund Balance Beginning of Year	4,473,199	4,473,199	4,473,199	0
Prior Year Encumbrances Appropriated	179,054	179,054	179,054	0
<b>Fund Balance End of Year</b>	<b>\$3,524,584</b>	<b>\$3,524,584</b>	<b>\$4,389,621</b>	<b>\$865,037</b>

See accompanying notes to the basic financial statements

**East Muskingum Local School District, Ohio**

*Statement of Fund Net Position  
Self-Insurance Internal Service Fund  
June 30, 2023*

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	<u>Medical-Dental Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,355,915
<b>Current Liabilities</b>	
Claims Payable	<u>273,979</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$1,081,936</u></u>

See accompanying notes to the basic financial statements

**East Muskingum Local School District, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Self-Insurance Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2023*

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	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	\$4,293,924
<b>Operating Expenses</b>	
Purchased Services	512,036
Claims	3,103,108
Total Operating Expenses	3,615,144
Change in Net Position	678,780
Net Position Beginning of Year	403,156
Net Position End of Year	\$1,081,936

See accompanying notes to the basic financial statements

**East Muskingum Local School District, Ohio**

*Statement of Cash Flows*

*Self-Insurance Internal Service Fund*

*For the Fiscal Year Ended June 30, 2023*

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	<u>Medical-Dental Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Interfund Services Provided	\$4,293,924
Cash Payments to Suppliers for Services	(512,036)
Cash Payments for Claims	<u>(3,296,893)</u>
Net Cash Provided by Operating Activities	484,995
Cash and Cash Equivalents Beginning of Year	<u>870,920</u>
Cash and Cash Equivalents End of Year	<u><u>\$1,355,915</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$678,780
<b>Changes in Liabilities:</b>	
Decrease in Claims Payable	<u>(193,785)</u>
Net Cash Provided by Operating Activities	<u><u>\$484,995</u></u>

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

The East 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 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 was established in 1958. The School District serves an area of approximately 192 square miles. It is located in Muskingum and Guernsey Counties and includes all of the Village of New Concord, Ohio. The School District is staffed by 97 classified employees and 142 certificated full-time teaching personnel who provide services to 2,080 students and other community members. The School District currently operates six instructional buildings, two administrative buildings, and four garage/storage buildings.

#### *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 benefit to, or impose specific financial burden on, the primary government. The School District has no component units.

The School District participates in six organizations which are defined as jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association (LACA), Mid-East Career and Technology Centers, the Metropolitan Educational Technology Association (META), the Coalition of Rural and Appalachian Schools (CORAS), the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Ohio Coalition of Equity and Adequacy of School Funding, the Ohio SchoolComp Workers' Compensation Group Rating Program, and the Ohio School Benefits Cooperative. These organizations are presented in Notes 15 and 16 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.

## East Muskingum Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### ***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, however, does not have any 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.

### ***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 two categories of funds: governmental and proprietary.

***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 following is the School District's major governmental funds:

## East Muskingum Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

**Permanent Improvement Levy Fund** The Permanent Improvement Levy Capital Projects Fund of the School District is used to account for permanent improvement levy proceeds restricted to be used for expenditures of instructional materials and expenditures related to acquiring, constructing, and improving school facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted or assigned 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, and dental claims.

### **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 are generally 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary and fiduciary funds are 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 these funds are included on the Statement of Fund Net Position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

## East Muskingum Local School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2023*

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For proprietary funds, the Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

#### ***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 and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and 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, payments from property taxes (See Note 6) are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, investment earnings/interest, tuition and fees, charges for services, grants, and miscellaneous revenue.

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. On governmental fund financial statements, revenue received as of June 30, 2023, for fiscal year 2024 for services and federal grants, has been recorded as unearned revenue.

***Deferred Outflows/Inflows of Resources*** In addition to assets, statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net assets 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 and OPEB plans. The deferred outflows of resources related to pension/OPEB are explained in Notes 11 and 12.



## East Muskingum Local School District, Ohio

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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In addition to liabilities, statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, deferred charges on refunding, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 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, accrued interest, charges for services and sales, tuition and fees, miscellaneous revenues, 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 Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. (See Notes 11 and 12)

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

#### ***Cash and Investments***

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" on the financial statements.

The School District has a separate bank account for athletic monies. The athletic account monies are kept separate from the School District treasury. This account is presented on the financial statements as "cash and cash equivalents in segregated accounts".

During fiscal year 2023, the School District's investments were limited to negotiable certificates of deposits. Investments in negotiable certificates of deposits are reported at fair value.

Under existing Ohio statutes all investment earnings/interest are assigned to the General Fund unless statutorily required to be credited to a specific fund. Investment earnings/interest revenue credited to the General Fund during fiscal year 2023 amounted to \$62,159, which includes \$30,570 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.

#### ***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2023, 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.

## East Muskingum Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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### ***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption and donated and purchased food held for resale.

### ***Capital Assets***

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 years
Buildings and Improvements	10-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	10-15 years

The School District is reporting intangible right to use assets related to lease assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

### ***Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents for unclaimed monies not available for appropriation.

### ***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. Employees who

## East Muskingum Local School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2023*

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qualify for vacation benefits can accrue up to a maximum of the immediately preceding two years, plus the prorated portion of earned but unavailable for use vacation time of the current year. 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 twenty-five 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 as "matured compensated absences payable" in the fund from which these payments will be made.

#### ***Longevity Benefits Payable***

Longevity benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive this benefit and those the School District has identified as probable of receiving this benefit in the future. The liability for longevity benefits is based on the employees' length of employment with the School District and the employees' annual salary earned at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for this benefit after twenty-five years of service with the School District. The benefit is paid in one lump sum at the time of retirement from the fund and function that pays the employees' salaries.

The longevity benefits liability is reported on the government-wide financial statements.

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

#### ***Lease Payable***

The School District serves as the lessee in a noncancellable lease which is accounted for as follows:

**Lessee** At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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### ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 longevity benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, financed purchases, and leases are recognized as a liability on the governmental fund financial statements when due.

### ***Pensions/Other Postemployment Benefits (OPEB)***

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

### ***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 debt or the new debt, whichever is shorter, using the effective interest method and is presented as deferred inflows of resources on the statement of net position.

### ***Internal Activity***

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

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

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

### ***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated on of the Statement of Net Position.

## East Muskingum Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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### ***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 can also include the long-term amount of loans receivable, prepaids, as well as inventory, unless the use of the proceeds from the collection of those receivables, or from the use of the prepaids or inventory, is restricted, committed, or assigned.

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

***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. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education has also assigned fund balance for capital projects and public school support.

***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 a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, and assigned.

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.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### ***Net Position***

Net position represents the difference between assets and deferred outflows of resources and 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. The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Restricted Net Pension for OPEB Plans represent the corresponding asset amounts after considering the related deferred outflows and deferred inflows.

### ***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.

### ***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.

### ***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.

### ***Budgetary Data***

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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 amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

### **Note 3 - Changes in Accounting Principles**

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) No. 91, Conduit Debt Obligations; Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; GASB Statement No. 96, Subscription-Based Information Technology Arrangements; and GASB Statement No. 99, Omnibus 2022.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The School District did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The School District did not have any contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

### **Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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).

## East Muskingum Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Prepaid items are reported on the balance sheet (GAAP basis) but not on the budget basis.
5. Fair value adjustments for investments and negative cash advances to other funds are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
6. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$270,988)
Net Adjustment for Revenue Accruals	(92,371)
Net Adjustment for Expenditure Accruals	(183,646)
Beginning of Fiscal Year:	
Fair Value Adjustment for Investments	82,962
Prepaid Items	53,776
Negative cash advance to other funds	(150,268)
End of Fiscal Year:	
Fair Value Adjustment for Investments	181,554
Prepaid Items	(114,391)
Negative cash advance to other funds	430,080
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types.	(143,772)
Adjustment for Encumbrances	(55,568)
Budget Basis	<u><u>(\$262,632)</u></u>

### **Note 5 - Deposits and Investments**

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

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



## East Muskingum Local School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2023*

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 obligation or security 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;
3. Written repurchase agreements in the securities listed above 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;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

## East Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### Investments

As of June 30, 2023, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Percent of Total Investments</u>
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	\$3,179,450	Under five years	N/A	N/A	100.00%

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, 2023. All of the School District's investments measured at fair value are valued using other significant observable inputs (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, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk.** The credit ratings for the School District's securities are listed above. Ohio law requires that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

## East Muskingum Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### Note 6 - Property Taxes and Tax Abatements

#### *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 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, 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 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2021, were levied after April 1, 2022, 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 Guernsey 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 counties by June 30, 2023, are available to finance fiscal year 2023 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, 2023, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2023, was \$3,071,248 in the General Fund, \$46,268 in the Classroom Facilities Special Revenue Fund, \$156,771 in the Bond Retirement Debt Service Fund, and \$272,330 in the Permanent Improvement Levy Capital Projects Fund. The amount available as an advance and recognized as revenue at June 30, 2022, was \$3,166,336 in the General Fund, \$48,274 in the Classroom Facilities Special Revenue Fund, \$175,399 in the Bond Retirement Debt Service Fund, and \$285,523 in the Permanent Improvement Levy Capital Projects Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second- Half Collections		2023 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$325,542,910	83.63%	\$336,482,980	83.68%
Public Utility Personal	63,738,750	16.37%	65,611,320	16.32%
Total	<u>\$389,281,660</u>	<u>100.00%</u>	<u>\$402,094,300</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$37.01		 \$36.91	

The decrease in the tax rate per \$1,000 was attributed to a decrease in the amount required for debt retirement.

***Tax Abatements***

The School District property taxes were reduced under Enterprise Zone Tax Exemption agreements entered into by Muskingum County with companies within the School District’s boundaries. Pursuant to the financing agreements, Muskingum County is being compensated, in part, for lost real property taxes that otherwise would have been due each year. The School District does not share in these payments. The total tax abated amount for the School District was \$81,843 for fiscal year 2023.

**Note 7 - Receivables**

Receivables at June 30, 2023, consisted of property taxes, intergovernmental, accounts, interfund, and accrued 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. Delinquent property taxes deemed collectible by the County Auditors and recorded as a receivable in the amount of \$584,700 may not be collected in one year. All other receivables are expected to be received within one year.

A summary of items of intergovernmental receivables follows:

	<u>Amounts</u>
<b><u>Governmental Activities</u></b>	
State Foundation Adjustments	\$554,589
ESSER Grants	362,622
Title VI-B IDEA Grant	134,785
Title I Grant	65,473
Miscellaneous Intergovernmental Receivables	16,504
Title II-A Grant	12,061
School Bus Purchase Grant	45,321
Medicaid Reimbursements	41,341
Total Governmental Activities	<u>\$1,232,696</u>

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**Note 8 - Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance 06/30/2022	Additions	Deletions	Balance 06/30/2023
<b>Nondepreciable Capital Assets</b>				
Land	\$238,139	\$0	\$0	\$238,139
Land Improvements	6,850	0	0	6,850
Construction in Progress	13,663	19,768	0	33,431
Total Non-Depreciable Capital Assets	<u>258,652</u>	<u>19,768</u>	<u>0</u>	<u>278,420</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	859,610	0	0	859,610
Buildings and Improvements	42,117,760	354,081	(262,550)	42,209,291
Furniture, Fixtures, and Equipment	2,018,701	430,405	0	2,449,106
Vehicles	2,505,896	284,196	(228,091)	2,562,001
Intangible Right to Use Lease**				
Equipment	174,519	0	0	174,519
Total Depreciable Capital Assets	<u>47,676,486</u>	<u>1,068,682</u>	<u>(490,641)</u>	<u>48,254,527</u>
<b>Less Accumulated</b>				
<b>    Depreciation/Amortization</b>				
Land Improvements	(143,015)	(50,630)	0	(193,645)
Buildings and Improvements	(28,262,477)	(989,208)	205,592	(29,046,093)
Furniture, Fixtures, and Equipment	(1,234,086)	(88,883)	0	(1,322,969)
Vehicles	(1,221,558)	(131,501)	180,847	(1,172,212)
Intangible Right to Use Lease**				
Equipment	(5,657)	(44,657)	0	(50,314)
Total Accumulated Depreciation/Amortization	<u>(30,866,793)</u>	<u>(1,304,879) *</u>	<u>386,439</u>	<u>(31,785,233)</u>
Depreciable Capital Assets, Net	<u>16,809,693</u>	<u>(236,197)</u>	<u>(104,202)</u>	<u>16,469,294</u>
Governmental Activities Capital Assets, Net	<u>\$17,068,345</u>	<u>(\$216,429)</u>	<u>(\$104,202)</u>	<u>\$16,747,714</u>

In May 2022, the School District experienced hail damage. As a result of the hail damage, the roof of the School District's middle school building was damaged. During fiscal year 2023, the School District received \$342,185 in insurance recoveries from the insurance company. \$56,958 was used to cover the book value of the old roof and \$285,227 was reflected as capital grants and contributions program revenue on the Statement of Activities.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

Instruction:	
Regular	\$1,015,097
Special	2,100
Vocational	2,794
Support Services:	
Administration	2,108
Fiscal	4,000
Operation and Maintenance of Plant	59,873
Pupil Transportation	136,751
Food Service Operations	5,576
Extracurricular	76,580
Total	<u><u>\$1,304,879</u></u>

\*\* Of the current year depreciation/amortization total of \$1,304,879, \$44,657 is presented as regular instruction expense on the Statement of Activities related to the School District's intangible assets of copiers, which are included as Intangible Right to Use – Lease Asset.

**Note 9 - Risk Management**

***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 2023, the School District purchased its property, fleet, and liability insurance from Liberty Mutual Insurance. The types and amounts of coverage are as follows:

Building and Contents-replacement cost	\$102,489,242
Automobile Liability (\$1,000 Comprehensive/Collision deductible)	1,000,000
Uninsured/Underinsured Motorists	1,000,000
General Liability – Per Occurrence	1,000,000
General Liability - Aggregate Per Year	3,000,000
Violence Coverage - Per occurrence	500,000
Employee Benefits Liability – Per Occurrence	1,000,000
Employee Benefits Liability - Aggregate Per Year	3,000,000
Employer's Liability	1,000,000
School Leaders Errors and Omissions – Wrongful Acts	
Liability Limit (\$2,500 deductible)	1,000,000
Employers Stop Gap Liability	1,000,000

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

## East Muskingum Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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### **Workers' 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 Rating Program (Program), an insurance purchasing pool (Note 16). 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 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. The total premium for the entire group is the standard premium of the group.

Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Comp Management, Inc., a Sedgwick Company, 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.

### **Employee Medical/Surgical and Dental Benefits**

The School District offers three medical/surgical insurance plans and one dental insurance plan to employees covered through the 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 Board of Education pays a maximum of \$2,047.00 of the medical/surgical premiums for family coverage and \$879.76 for single coverage. The Board of Education pays 100 percent of the dental premiums for family and single coverage which is \$74 for both. The medical/surgical and dental premiums are paid from the fund that pays the salary of the covered employee. The claims liability of \$273,979 reported in the Self-Insurance Internal Service Fund at June 30, 2023, 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 purchases an aggregate stop-loss coverage policy in the amount of \$4,613,718. In addition, the School District has contracted for an excess stop-loss coverage, with a maximum allowable covered expense per individual of \$100,000 annually.

Changes in the fund's claims liability amount in fiscal years 2022 and 2023 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2022	\$338,788	\$3,872,211	\$3,743,235	\$467,764
2023	467,764	3,103,108	3,296,893	273,979

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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**Note 10 - Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave components are derived from Board policy and State laws. Classified employees and administrators who are contracted to work a minimum of 260 days earn ten to twenty-five days of vacation per year, depending upon length of service. All employees who qualify for vacation time must be with the School District for one year before receiving vacation hours. All employees who qualify for vacation time can accrue up to a maximum of the immediately preceding two years, plus the prorated portion of earned but unavailable for use vacation time of the current year. The School District pays accumulated, unused vacation hours to employees who qualify for vacation time upon termination of employment at the employee's current rate of pay. Teachers, administrators, and staff who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 40 days for all employees.

***Longevity Benefits Payable***

Employees who retire are eligible for a longevity/service benefit. Employees that have completed between one and ten years of service at the School District upon retirement, are paid a longevity benefit payment equal to one percent of their annual salary earned in the year of retirement multiplied by the years of service with the School District. Employees that have completed between eleven and twenty years of service at the School District upon retirement, are paid a longevity benefit payment equal to one and one quarter percent of their annual salary earned in the year of retirement multiplied by the years of service with the School District. Employees that have completed over twenty years of service at the School District upon retirement, are paid a longevity benefit payment equal to one and one half percent of their annual salary earned in the year of retirement multiplied by the years of service with the School District. Retirees must notify the School District by March 1 of each year as to their intent to retire and to apply for the retirement/longevity benefit. Payment of the retirement/longevity benefit is limited to five percent of the number of employees in each year based upon seniority. The benefit is paid in one lump sum at the time of retirement from the fund and function that pays the employees' salaries.

***Life and Vision Insurance***

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

The School District provides vision insurance to employees through Vision Service Plan.



**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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**Note 11 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability (Asset)***

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates 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/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

## East Muskingum Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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### **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, 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.

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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$395,023 for fiscal year 2023. Of this amount, \$83,547 is reported as an intergovernmental payable.

## East Muskingum Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### ***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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of-living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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 is deposited into the member’s DC account 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 at age fifty and after termination of employment.

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

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,410,974 for fiscal year 2023. Of this amount, \$195,472 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07709620%	0.07628329%	
Prior Measurement Date	<u>0.07590570%</u>	<u>0.07506279%</u>	
Change in Proportionate Share	<u>0.00119050%</u>	<u>0.00122050%</u>	
			<u>Total</u>
Proportionate Share of the Net			
Pension Liability	\$4,169,961	\$16,957,872	\$21,127,833
Pension Expense	\$287,555	\$1,936,432	\$2,223,987

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$168,886	\$217,082	\$385,968
Changes of assumptions	41,145	2,029,348	2,070,493
Net difference between projected and actual earnings on pension plan investments	0	590,097	590,097
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	60,455	155,189	215,644
School District contributions subsequent to the measurement date	<u>395,023</u>	<u>1,410,974</u>	<u>1,805,997</u>
Total Deferred Outflows of Resources	<u>\$665,509</u>	<u>\$4,402,690</u>	<u>\$5,068,199</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$27,375	\$64,870	\$92,245
Changes of assumptions	0	1,527,515	1,527,515
Net difference between projected and actual earnings on pension plan investments	145,513	0	145,513
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>60,148</u>	<u>60,148</u>
Total Deferred Inflows of Resources	<u>\$172,888</u>	<u>\$1,652,533</u>	<u>\$1,825,421</u>

\$1,805,997 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 fiscal year ending June 30, 2024. 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:			
2024	\$56,389	\$45,492	\$101,881
2025	7,261	(1,869)	5,392
2026	(207,868)	(424,242)	(632,110)
2027	<u>241,816</u>	<u>1,719,802</u>	<u>1,961,618</u>
Total	<u>\$97,598</u>	<u>\$1,339,183</u>	<u>\$1,436,781</u>

***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.

## East Muskingum Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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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, 2022, are presented below:

	<u>June 30, 2022</u>
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. 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 earnings were calculated using the long-term assumed investment rate of return (7.00 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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$6,137,985	\$4,169,961	\$2,511,929

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
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For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00%</u>	

\* Target allocation percentage is effective July 1, 2022.

Target weights were phased in over a 3 month period concluding on October 1, 2022

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that 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. Based on those assumptions, STRS' fiduciary net position was



## East Muskingum Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

***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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$25,617,170	\$16,957,872	\$9,634,786

### ***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. As of June 30, 2023, there are two employees who have elected Social Security. The Board of Education's liability is 6.2 percent of wages paid.

### **Note 12 - Defined Benefit OPEB Plans**

See Note 11 for a description of the net OPEB liability.

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

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

*Notes to the Basic Financial Statements  
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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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 2023, no allocation 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, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. 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 2023, the School District's surcharge obligation was \$52,745.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$52,745 for fiscal year 2023. Of this amount \$52,745 is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 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 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
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Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.07855160%	0.07628329%	
Prior Measurement Date	<u>0.07814820%</u>	<u>0.07506279%</u>	
 Change in Proportionate Share	 <u>0.00040340%</u>	 <u>0.00122050%</u>	
 Proportionate Share of the:			<u>Total</u>
Net OPEB Liability	\$1,102,872	\$0	\$1,102,872
Net OPEB (Asset)	\$0	(\$1,975,229)	(\$1,975,229)
OPEB Expense	(\$62,714)	(\$371,880)	(\$434,594)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB 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	\$9,272	\$28,634	\$37,906
Changes of assumptions	175,426	84,138	259,564
Net difference between projected and actual earnings on OPEB plan investments	5,732	34,384	40,116
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	62,961	577	63,538
School District contributions subsequent to the measurement date	<u>52,745</u>	<u>0</u>	<u>52,745</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$306,136</u></b>	<b><u>\$147,733</u></b>	<b><u>\$453,869</u></b>
 <b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$705,478	\$296,641	\$1,002,119
Changes of assumptions	452,737	1,400,627	1,853,364
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>14,916</u>	<u>24,031</u>	<u>38,947</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$1,173,131</u></b>	<b><u>\$1,721,299</u></b>	<b><u>\$2,894,430</u></b>

\$52,745 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	(\$209,187)	(\$468,968)	(\$678,155)
2025	(204,075)	(453,746)	(657,821)
2026	(175,905)	(213,025)	(388,930)
2027	(115,829)	(88,197)	(204,026)
2028	(83,328)	(115,560)	(198,888)
Thereafter	(131,416)	(234,070)	(365,486)
Total	(\$919,740)	(\$1,573,566)	(\$2,493,306)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented as follows:

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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	<u>June 30, 2022</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021, total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022, and 1.92 percent at June 30, 2021.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease <u>(3.08%)</u>	Current Discount Rate <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
School District's proportionate share of the net OPEB liability	\$1,369,784	\$1,102,872	\$887,402
	1% Decrease <u>(6.00% decreasing to 3.40%)</u>	Current Trend Rate <u>(7.00% decreasing to 4.40%)</u>	1% Increase <u>(8.00% decreasing to 5.40%)</u>
School District's proportionate share of the net OPEB liability	\$850,513	\$1,102,872	\$1,432,496

**East Muskingum Local School District, Ohio**

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For the Fiscal Year Ended June 30, 2023*

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented as follows:

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
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**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net OPEB asset	(\$1,826,047)	(\$1,975,229)	(\$2,103,015)
		<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$2,048,792)	(\$1,975,229)	(\$1,882,372)



**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

**Note 13 - Long-Term Obligations**

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

	Outstanding 06/30/2022	Additions	Reductions	Outstanding 06/30/2023	Due Within One Year
<b><u>Governmental Activities:</u></b>					
2021 School Facilities Refunding Term Bonds - various	\$970,000	\$0	\$485,000	\$485,000	\$485,000
Financed Purchase Payable from Direct Borrowing	168,957	0	168,957	0	0
Lease Payable	157,936	0	33,731	124,205	34,497
Net Pension Liability:					
STRS	9,597,455	7,360,417	0	16,957,872	0
SERS	2,800,700	1,369,261	0	4,169,961	0
Total Net Pension Liability	12,398,155	8,729,678	0	21,127,833	0
Net OPEB Liability - SERS	1,479,020	0	376,148	1,102,872	0
Compensated Absences Payable	763,370	247,361	193,907	816,824	91,562
Longevity Benefits Payable	1,173,696	296,005	138,146	1,331,555	55,813
Total Long-Term Obligations	\$17,111,134	\$9,273,044	\$1,395,889	\$24,988,289	\$666,872

***General Obligation Bonds***

***2021 School Facilities Refunding Serial Bonds***

On July 28, 2021, the School District issued \$1,425,000 of general obligation serial bonds. These bonds were issued to fully refund the 2012 School Facilities Refunding Bonds, as well as pay the costs of issuance of these bonds in the amount of \$26,500. The reacquisition price was less than the net carrying amount of the of the old debt by \$31,500. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The School District current refunded the 2012 general obligation bonds to reduce its total debt service payments over 3 years by \$77,391. These term bonds are being repaid through the Bond Retirement Debt Service Fund.

The bonds maturing on or after December 1, 2023, are not subject to optional redemption prior to stated maturity. The bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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<u>Redemption Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2022	\$485,000

Unless otherwise called for redemption, the remaining \$485,000 principal amount of the term bonds due December 1, 2023, is to be paid at stated maturity.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$485,000	\$1,212	\$486,212

***Financed Purchase from Direct Borrowing***

In prior fiscal years, the School District entered into a financed purchase obligation for the purchase of buses in the amount of \$414,922. This financed purchase obligation was paid in full during fiscal year 2023 from the General and Permanent Improvement Levy Capital Projects Fund.

***Leases Payable***

The School District has outstanding agreements to lease copiers. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. These leases will be paid from the General and Permanent Improvement Levy Capital Projects Funds. A summary of the principal and interest amounts for the remaining leases is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$34,497	\$2,437	\$36,934
2025	35,280	1,654	36,934
2026	36,081	853	36,934
2027	18,347	120	18,467
Total	<u>\$124,205</u>	<u>\$5,064</u>	<u>\$129,269</u>

***Other Long-Term Liabilities***

There is no repayment schedule for the net pension liability or net OPEB liability. However, employer pension contributions are made from the following funds: General Fund and Food Service Special Revenue Fund. For additional information related to the net pension liability and net OPEB liability, see Note 11 and Note 12.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service Special Revenue Fund.

The School District obtained approval to participate in the Ohio School District Credit Enhancement Program on November 9, 2010. The additional level of security afforded by the Credit Enhancement Program provides the basis for consideration of a higher debt rating by certain rating agencies. As a result, the School District obtained a Moody's rating on the 2021 Refunding Bonds of Aa2.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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The School District's overall legal debt margin was \$36,077,818, with an unvoted debt margin of \$401,635 at June 30, 2023.

**Note 14 - Interfund Activity**

Interfund receivables and payables during the current fiscal year consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General Fund	<u>\$430,080</u>	<u>\$0</u>
Other Nonmajor Governmental Funds:		
Title I Grant	0	23,531
Title II-A Grant	0	4,340
ESSER Grant	0	305,293
Miscellaneous Federal Grants	0	51,595
School Bus Purchase Grant	<u>0</u>	<u>45,321</u>
Total Other Nonmajor Governmental Funds	<u>0</u>	<u>430,080</u>
Total All Funds	<u><u>\$430,080</u></u>	<u><u>\$430,080</u></u>

The loans made to Other Nonmajor Governmental Funds were used to cover actual cash deficits in the funds listed above to support the programs until the grant monies are received.

**Note 15 - Jointly Governed Organizations**

***Licking Area Computer Association (LACA)***

The School District is a participant in LACA, which is a computer consortium. LACA is an association which serves 26 entities 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 districts. The board exercised total control over the operations of LACA including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The continued existence of LACA is not dependent on the School District's continued participation and the School District has no equity interest in the Association. The LACA constitution states that any school district withdrawing from the Association prior to the dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for computer and internet services during fiscal year 2023 were \$119,464. Financial information may be obtained from LACA at 150 South Quentin Road, Newark, Ohio 43055.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### ***Mid-East Career and Technology Centers***

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the participating school district's elected boards. The board possesses its own taxing authority. The board also exercised total control over the operations of Mid-East Career and Technology Centers including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2023, the School District made no contributions to the Center. Financial information may be obtained from Mid-East Career and Technology Centers at 400 Richards Road, Zanesville, Ohio 43701.

### ***Metropolitan Educational Technology Association (META)***

The School District participates in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META is also known as META Solutions. 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 nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The School District uses the META purchasing cooperative. 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. During fiscal year 2023, the School District's membership payment for the purchasing cooperative was waived by META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

### ***Coalition of Rural and Appalachian Schools (CORAS)***

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The 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 2023, the School District made a membership payment in the amount of \$325 to CORAS. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at 322 McCracken Hall, Ohio University, Athens, Ohio 45701.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### ***Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)***

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a board, which possesses its own taxing authority, consisting of one representative from each of the participating school district's elected boards. The board also exercised total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. OME-RESA provides educational management information and cooperative purchasing services to member districts. The School District participates in the sales service programs to purchase food, office, and classroom supplies. These programs allow schools to purchase supplies at reduced rates. During fiscal year 2023, the School District's fee was waived. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. Financial information may be obtained from OME-RESA at 2230 Sunset Boulevard, Suite 2, Steubenville, Ohio 43952.

### ***Ohio Coalition of Equity and Adequacy of School Funding***

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized to challenge the constitutionality of the Ohio school funding system. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The Committee exercised total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts, joint vocational schools, and educational service centers pay annual dues and supplemental dues based on their pupil enrollment. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2023, the School District paid \$1,014 to the Coalition. The fiscal agent for the Coalition is the Muskingum Valley Educational Service Center. Financial information may be obtained from the Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

### **Note 16 - Insurance Purchasing Pools**

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

The Ohio SchoolComp Workers' Compensation Group 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 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.

## East Muskingum Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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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 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., a Sedgwick Company, provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. The School District paid \$500 in enrollment fees to the Program as of June 30, 2023.

### ***Ohio School Benefits Cooperative***

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of 39 members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants paid an initial \$500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop-loss insurance coverage through OSBC's third party administrator. Medical Mutual/Antares is the Administrator of the OSBC. On November 1, 2005, the School District elected to participate in the self-insured purchasing program for medical, prescription drug, and dental.

### **Note 17 – Fund Deficits**

The following special revenue funds had deficit fund balances as of June 30, 2023:

	<u>Amount</u>
Title I Grant	\$19,252
ESSER Grant	18,583
Title II-A Grant	3,428
Miscellaneous Federal Grants	<u>32,287</u>
	<u><u>\$73,550</u></u>

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**Note 18 - 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance June 30, 2022	\$0
Current Year Set-aside Requirement	475,663
Current Year Offsets	(1,314,443)
Current Year Qualifying Disbursements	<u>(746,568)</u>
Total	<u>(\$1,585,348)</u>
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 fiscal years.

**Note 19 - Significant Commitments**

***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 fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<u>Governmental Funds</u>	<u>Encumbrances</u>
General Fund	\$55,568
Permanent Improvement Levy	88,446
Nonmajor Governmental Funds	<u>489,287</u>
Total Governmental Funds	<u>\$633,301</u>

**East Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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***Contractual Commitments***

As of June 30, 2023, the School District’s contractual purchase commitments paid from the Permanent Improvement Fund as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/2023</u>
Project Planning	\$45,000	\$13,663	\$31,337
Middle School/High School Roofs	38,000	19,768	18,232
	<u>\$83,000</u>	<u>\$33,431</u>	<u>\$49,569</u>

**Note 20 - Contingencies**

***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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2023.

***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, additional ODE adjustments for fiscal year 2023 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2023 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

***Litigation***

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

**Note 21 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021, while the national state of emergency ended in April 2023. During fiscal year 2023, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**Note 22 – Special Investigation**

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Dependent on the outcome of the investigation, results may be reported on at a later date.



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**East Muskingum Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years \**

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.07709620%	0.07590570%	0.07471780%	0.07209120%
School District's Proportionate Share of the Net Pension Liability	\$4,169,961	\$2,800,700	\$4,941,993	\$4,313,343
School District's Covered Payroll	\$2,784,629	\$2,637,500	\$2,630,671	\$2,480,067
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	149.75%	106.19%	187.86%	173.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.07235620%	0.07272830%	0.07585630%	0.07605330%	0.07734700%	0.07734700%
\$4,143,974	\$4,345,355	\$5,551,980	\$4,339,675	\$3,914,488	\$4,599,578
\$2,400,807	\$2,374,514	\$2,204,307	\$2,244,550	\$2,256,335	\$2,275,313
172.61%	183.00%	251.87%	193.34%	173.49%	202.15%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

**East Muskingum Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years \**

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.07628329%	0.07506279%	0.07487739%	0.07433947%
School District's Proportionate Share of the Net Pension Liability	\$16,957,872	\$9,597,455	\$18,117,665	\$16,439,727
School District's Covered Payroll	\$9,987,450	\$9,289,507	\$9,078,464	\$8,745,014
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.79%	103.32%	199.57%	187.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.07550470%	0.07646400%	0.07755320%	0.08005128%	0.08290091%	0.08290091%
\$16,601,788	\$18,164,189	\$25,959,394	\$22,123,833	\$20,164,370	\$24,019,666
\$8,669,571	\$8,373,600	\$7,836,329	\$8,713,943	\$8,472,100	\$8,778,800
191.49%	216.92%	331.27%	253.89%	238.01%	273.61%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.07855160%	0.07814820%	0.07754870%	0.07374140%
School District's Proportionate Share of the Net OPEB Liability	\$1,102,872	\$1,479,020	\$1,685,388	\$1,854,441
School District's Covered Payroll	\$2,784,629	\$2,637,500	\$2,630,671	\$2,480,067
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.61%	56.08%	64.07%	74.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

See accompanying notes to the required supplementary information

2019	2018	2017
0.07349080%	0.07395480%	0.07695200%
\$2,038,833	\$1,984,752	\$2,193,417
\$2,400,807	\$2,374,514	\$2,204,307
84.92%	83.59%	99.51%
13.57%	12.46%	11.49%

**East Musingum Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*School Teachers Retirement System of Ohio*  
*Last Seven Fiscal Years (1) \**

	2023	2022	2021
School District's Proportion of the Net OPEB Liability (Asset)	0.07628329%	0.07506279%	0.07487739%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,975,229)	(\$1,582,637)	(\$1,315,968)
School District's Covered Payroll	\$9,987,450	\$9,289,507	\$9,078,464
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-19.78%	-17.04%	-14.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB	230.70%	174.70%	182.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 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.

See accompanying notes to the required supplementary information



2020	2019	2018	2017
0.07433947%	0.07550470%	0.07646400%	0.07755320%
(\$1,231,239)	(\$1,213,283)	\$2,983,344	\$4,147,565
\$8,745,014	\$8,669,571	\$8,373,600	\$7,836,329
-14.08%	-13.99%	35.63%	52.93%
174.70%	176.00%	47.10%	37.30%

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

	2023	2022	2021	2020	2019
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$395,023	\$389,848	\$369,250	\$368,294	\$334,809
Contributions in Relation to the Contractually Required Contribution	<u>(395,023)</u>	<u>(389,848)</u>	<u>(369,250)</u>	<u>(368,294)</u>	<u>(334,809)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,821,593	\$2,784,629	\$2,637,500	\$2,630,671	\$2,480,067
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
<b>Net OPEB Liability</b>					
Contractually Required Contribution (2)	\$52,745	\$49,867	\$49,647	\$49,886	\$56,763
Contributions in Relation to the Contractually Required Contribution	<u>(52,745)</u>	<u>(49,867)</u>	<u>(49,647)</u>	<u>(49,886)</u>	<u>(56,763)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.87%</u>	<u>1.79%</u>	<u>1.88%</u>	<u>1.90%</u>	<u>2.29%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.87%</u>	<u>15.79%</u>	<u>15.88%</u>	<u>15.90%</u>	<u>15.79%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
\$324,109	\$332,432	\$308,603	\$295,832	\$312,728
(324,109)	(332,432)	(308,603)	(295,832)	(312,728)
\$0	\$0	\$0	\$0	\$0
\$2,400,807	\$2,374,514	\$2,204,307	\$2,244,550	\$2,256,335
13.50%	14.00%	14.00%	13.18%	13.86%
\$52,086	\$41,012	\$39,281	\$59,207	\$43,004
(52,086)	(41,012)	(39,281)	(59,207)	(43,004)
\$0	\$0	\$0	\$0	\$0
2.17%	1.73%	1.78%	2.64%	1.91%
15.67%	15.73%	15.78%	15.82%	15.77%

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

	2023	2022	2021	2020	2019
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$1,410,974	\$1,398,243	\$1,300,531	\$1,270,985	\$1,224,302
Contributions in Relation to the Contractually Required Contribution	<u>(1,410,974)</u>	<u>(1,398,243)</u>	<u>(1,300,531)</u>	<u>(1,270,985)</u>	<u>(1,224,302)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$10,078,386	\$9,987,450	\$9,289,507	\$9,078,464	\$8,745,014
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability (Asset)</b>					
Contractually Required Contribution	\$0	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$1,213,740	\$1,172,304	\$1,097,086	\$1,219,952	\$1,101,373
<u>(1,213,740)</u>	<u>(1,172,304)</u>	<u>(1,097,086)</u>	<u>(1,219,952)</u>	<u>(1,101,373)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,669,571	\$8,373,600	\$7,836,329	\$8,713,943	\$8,472,100
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$84,721
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(84,721)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

**East Muskingum Local School District, Ohio**

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2023*

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**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal year 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members was based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use 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.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented as follows:

**East Muskingum Local School District, Ohio**

*Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2023*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	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

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 setback from age 90 and above.

**Changes in Benefit Term – STRS Pension**

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient’s retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

**Net OPEB Liability**

**Changes in Assumptions – SERS**

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented as follows:

**East Muskingum Local School District, Ohio**

*Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2023*

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense,  
including price inflation

Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage was decreased. The assumed mortality, disability, retirement, withdrawal, and future healthcare cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age-based (2.5 percent to 12.50 percent) to service-based (2.5 percent to 8.5 percent.)



## East Muskingum Local School District, Ohio

*Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2023*

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### **Changes in Benefit Terms – STRS OPEB**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

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**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program/ Cluster Title	Federal AL Number	Pass-through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education &amp; Workforce</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	10.555	N/A	\$0	\$101,433
Cash Assistance:				
School Breakfast Program	10.553	2023	0	135,532
National School Lunch Program	10.555	2023	0	641,407
COVID-19 National School Lunch Program	10.555	2023	0	57,926
Cash Assistance Subtotal			<u>0</u>	<u>834,865</u>
Total Child Nutrition Cluster			<u>0</u>	<u>936,298</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	2023	<u>0</u>	<u>628</u>
Total U.S. Department of Agriculture			0	936,926
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education &amp; Workforce</i>				
Title I Grants to Local Educational Agencies:				
Title I Grants to Local Educational Agencies	84.010	2022	0	8,131
		2023	0	262,996
Expanding Opportunities for Each Child Non-Competitive Grant	84.010	2023	0	10,360
<i>Passed through to East Central Ohio Educational Service Center</i>				
Title I Program for Neglected and Delinquent Children	84.010	2023	65,440	65,440
Total Title I Grants to Local Educational Agencies			<u>65,440</u>	<u>346,927</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	2022	0	39,329
		2023	0	452,816
Total Special Education - Grants to States			<u>0</u>	<u>492,145</u>
<i>Passed through to Muskingum Valley Educational Service Center</i>				
Special Education - Preschool Grants	84.173	2023	13,171	13,171
Total Special Education Cluster (IDEA)			<u>13,171</u>	<u>505,316</u>
Supporting Effective Instruction State Grants	84.367	2022	0	5,738
		2023	0	44,300
Total Supporting Effective Instruction State Grants			<u>0</u>	<u>50,038</u>
Student Support and Academic Enrichment Program	84.424	2023	0	25,077
COVID-19 Education Stabilization Fund:				
COVID-19 Elementary and Secondary Emergency Relief Fund II	84.425D	2023	0	71,223
COVID-19 Elementary and Secondary Emergency Relief Fund III	84.425U	2022	0	246,437
		2023	0	784,852
COVID-19 ESSER Homeless	84.425W	2023	0	453
Total COVID-19 Education Stabilization Fund			<u>0</u>	<u>1,102,965</u>
Total U.S. Department of Education			<u><b>78,611</b></u>	<u><b>2,030,323</b></u>
<b>U.S. DEPARTMENT OF TREASURY</b>				
<i>Passed Through Office of Budget and Management</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0130	<u>0</u>	<u>9,967</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$78,611</b></u>	<u><b>\$2,977,216</b></u>

The accompanying notes are an integral part of this schedule.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of East Muskingum Local School District (the School District) under programs of the federal government for the year ended June 30, 2023. 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**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - SUBRECIPIENTS**

The School District passes certain federal awards received from U.S. Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE E - 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 F – 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 programs that benefitted from the use of those donated food commodities.

# OHIO AUDITOR OF STATE KEITH FABER



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

East Muskingum Local School District  
Muskingum County  
13505 John Glenn School Road  
New Concord, Ohio 43762

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Muskingum Local School District, Muskingum County, (the School District) as of and for the year ended June 30, 2023, 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 November 8, 2024.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 8, 2024

# OHIO AUDITOR OF STATE KEITH FABER



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

East Muskingum Local School District  
Muskingum County  
13505 John Glenn School Road  
New Concord, Ohio 43762

To the Board of Education:

### Report on Compliance for Each Major Federal Program

#### ***Qualified and Unmodified Opinions***

We have audited East Muskingum Local School District's, Muskingum County, (the School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of East Muskingum Local School District's major federal programs for the year ended June 30, 2023. East Muskingum Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

#### ***Qualified Opinion on COVID-19 Education Stabilization Fund***

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, East Muskingum Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 Education Stabilization Fund for the year ended June 30, 2023.

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

In our opinion, East Muskingum Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2023.

#### ***Basis for Qualified Opinion and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

*Matter Giving Rise to Qualified Opinion on COVID-19 Education Stabilization Fund*

As described in finding 2023-001 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Special Tests and Provisions – Wage Rate Requirements applicable to its AL #84.425D/84.425U COVID-19 Education Stabilization Fund major federal program.

Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

***Responsibilities of Management for Compliance***

The School District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the noncompliance finding identified in our compliance audit described in the accompanying Corrective Action Plan. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2023-001, to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the internal control over the compliance finding identified in our audit described in the accompanying Corrective Action Plan. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

East Muskingum Local School District  
Muskingum County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 4

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 8, 2024

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified for Special Education Cluster (IDEA), AL #84.027/84.173  Qualified for COVID-19 Education Stabilization Fund, AL #84.425D/84.425U
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Special Education Cluster (IDEA), AL #84.027/84.173</li> <li>• COVID-19 Education Stabilization Fund, AL #84.425D/84.425U</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

None.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

**Prevailing Wage Rates – Noncompliance/Material Weakness**

<b>Finding Number:</b>	<b>2023-001</b>
<b>Assistance Listing Number and Title:</b>	<b>AL # 84.425D/84.425U Education Stabilization Fund</b>
<b>Federal Award Identification Number / Year:</b>	<b>None / 2023</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Compliance Requirement:</b>	<b>Special Tests and Provisions – Wage Rate Requirements</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education &amp; Workforce</b>
<b>Repeat Finding from Prior Audit?</b>	<b>Yes</b>
<b>Prior Audit Finding Number:</b>	<b>2022-001</b>

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for Appendix II to 2 C.F.R. § 200 which states that, in addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable:

Appendix II to Part 200 (D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 C.F.R. Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

29 C.F.R. § 5.5(a)(3)(ii)(A) provides, in part, that the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the School District. The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. 29 C.F.R. § 5.5(a)(3)(ii)(B) requires each payroll submitted be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract.

29 C.F.R. § 5.6 states that furthermore, no payment, advance, grant, loan, or guarantee of funds shall be approved by the Federal agency after the beginning of construction unless there is on file with the agency a certification by the contractor that the contractor and its subcontractors have complied with the provisions of § 5.5 or unless there is on file with the agency a certification by the contractor that there is a substantial dispute with respect to the required provisions.

**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**FINDING NUMBER 2023-001 (Continued)**

**Prevailing Wage Rates – Noncompliance/Material Weakness (Continued)**

The School District had two construction projects (boiler and asphalt patch work) paid with Elementary and Secondary School Emergency Relief Funds. The following items were noted regarding prevailing wages with these projects:

- The contract/agreements on file did not contain the Davis Bacon language notifying the contractor of the prevailing wage requirement.
- The School District did not receive weekly payroll certifications related to the boiler or asphalt patch work during fiscal year 2023.

The School District should implement procedures to ensure that all weekly payroll certification reports are received from the contractors and subcontractors. The School District should also review these reports to ensure that prevailing wages are properly paid. Additionally, the School District should ensure that all contractors and subcontractors are notified that prevailing wages must be paid as required by this compliance requirement.

**Officials' Response:** See Corrective Action Plan.

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# EAST MUSKINGUM SCHOOLS

13505 John Glenn School Road • New Concord, Ohio 43762 • 740-826-7655 (P)  
 www.eastmschools.org • info@eastmschools.org (E) • 740-826-7194 (F)

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

June 30, 2023

John Glenn  
High School

East Muskingum  
Middle School

Larry Miller  
Intermediate School

New Concord  
Elementary

Perry Elementary

Finding Number	Finding Summary	Status	Additional Information
2022-001	Must implement procedures to ensure all weekly payroll certification reports are received from contractors and subcontractors	Corrective action taken and finding is fully corrected for FY24	ESSER for FY24 was not used on contractors and subcontractors



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## CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

Fiscal Year End 2023

John Glenn  
High School

**Finding Number:** 2023-001

East Muskingum  
Middle School

**Planned Corrective Action:** We will make sure we collect all appropriate documentation from the vendor to ensure that we are following the Davis-Bacon Act. We will require the contractor to pay prevailing wages and collect all the payroll records and enter into a contract for all work that will be completed. The contractor we used did pay prevailing wages to his employees. We did not have the documentation to prove it timely or the signed contracts for the separate work. We will make sure we have all appropriate documentation and that it is explained before the contract is entered into.

Larry Miller  
Intermediate School

**Anticipated Completion Date:** 01/01/2023

**Responsible Contact Person:** Kandi Raach

New Concord  
Elementary

Perry Elementary



# OHIO AUDITOR OF STATE KEITH FABER



**EAST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/3/2024**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)