



OHIO AUDITOR OF STATE
KEITH FABER



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY
JUNE 30, 2018**

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MUSKINGUM COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the Entity adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

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West Muskingum Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

The discussion and analysis of the West Muskingum Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities increased \$6,884,231.
- Capital assets decreased \$1,149,713 primarily due to current year depreciation exceeding current year capital acquisitions.
- General revenues accounted for \$16,780,689 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,939,441, 19 percent of total revenues of \$20,720,130.
- The School District had \$13,835,899 in expenses related to governmental activities; only \$3,939,441 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$16,780,689 were adequate to provide for these activities.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

West Muskingum Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. 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 Debt Service Fund.

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

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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Table 1 - Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$14,249,962	\$15,910,735	(\$1,660,773)
Capital Assets	33,606,596	34,756,309	(1,149,713)
<i>Total Assets</i>	<u>47,856,558</u>	<u>50,667,044</u>	<u>(2,810,486)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	597,045	643,756	(46,711)
Pension	5,057,734	4,703,320	354,414
OPEB	160,120	31,225	128,895
<i>Total Deferred Outflows of Resources</i>	<u>5,814,899</u>	<u>5,378,301</u>	<u>436,598</u>
Liabilities			
Other Liabilities	2,160,136	2,862,808	(702,672)
Long-Term Liabilities			
Due Within One Year	1,076,281	1,061,326	14,955
Due In More Than One Year:			
Net Pension Liability	16,288,266	23,645,018	(7,356,752)
Net OPEB Liability	3,676,187	4,805,022	(1,128,835)
Other Amounts Due in More Than One Year	17,931,378	18,595,611	(664,233)
<i>Total Liabilities</i>	<u>41,132,248</u>	<u>50,969,785</u>	<u>(9,837,537)</u>
Deferred Inflows of Resources			
Property Taxes/Payment in Lieu of Taxes	5,239,487	6,702,117	(1,462,630)
Pension	1,534,787	116,241	1,418,546
OPEB	623,502	0	623,502
<i>Total Deferred Inflows of Resources</i>	<u>7,397,776</u>	<u>6,818,358</u>	<u>579,418</u>
Net Position			
Net Investment in Capital Assets	16,848,759	16,718,512	130,247
Restricted	2,204,834	3,504,754	(1,299,920)
Unrestricted (Deficits)	(13,912,160)	(21,966,064)	8,053,904
Total Net Position	<u>\$5,141,433</u>	<u>(\$1,742,798)</u>	<u>\$6,884,231</u>

The net pension liability (NPL) is one of the largest liabilities reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises the accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

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.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$3,030,999 to (\$1,742,798).

West Muskingum Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

The decrease in current and other assets is primarily due to a decrease in equity in pooled cash and cash equivalents and cash and cash equivalents with fiscal agents in the amount of \$1,562,522 and a decrease in intergovernmental receivables in the amount of \$110,031. The decrease in equity in pooled cash and cash equivalents was partially due to a decrease in the Bond Retirement Debt Service fund in the amount of \$543,068 due to a decrease in property taxes collected as a result of a decrease in millage. Millage decreased by 0.5 mills in fiscal year 2017 and then it decreased an additional 0.1 mills in fiscal year 2018. Due to ample cash balances in the Bond Retirement Debt Service fund, the millage was decreased in order to decrease those balances. The General Fund also experienced a decrease in equity in pooled cash and cash equivalents in the amount of \$390,436. Due to rising costs, the General Fund has experienced a decrease in available cash. The School District management has approved cost savings measures during fiscal year 2018 that is forecasted to save the School District money beginning in fiscal year 2019. The Classroom Facilities Capital Project Fund equity in pooled cash and cash equivalents decreased in the amount of \$192,772 and cash and cash equivalents with fiscal agents decreased in the amount of \$239,880 due to the completion of the new elementary school project under the Ohio Facilities Construction Commission. The decrease in intergovernmental receivables was primarily due to a decrease in Medicaid reimbursements in the amount of \$95,940 and a decrease in the Title I grant receivable in the amount of \$26,640.

The \$1,149,713 decrease in capital assets is primarily due to current year depreciation exceeding current year additions. Current year depreciation was in the amount of \$1,303,196. The School District was able to complete a new elementary school building under the Ohio Facilities Construction Commission in fiscal year 2017. During fiscal year 2018, the School District began a new building project for a vocational agriculture building that is reflected as construction in progress in the amount of \$50,540. This new building is being financed through grant funding through Zane State College located in Muskingum County. The School District also reflected current year additions in the area of land improvements in the amount of \$12,600, furniture and equipment in the amount of \$80,234, and vehicles in the amount of \$28,105. Capital asset deletions, including accumulated depreciation, totaled \$17,996. The deferred charge on refunding decreased in the amount of \$46,711 due to the amortization for fiscal year 2018.

The \$702,672 decrease in other liabilities is primarily due to a decrease in contracts and retainage payable in the amount of \$318,303 as a result of the completion of the elementary school building under the Ohio Facilities Construction Commission project. Accrued wages and benefits decreased in the amount of \$82,603, intergovernmental payable decreased in the amount of \$21,722, claims payable decreased in the amount of \$228,629, and accounts payable decreased in the amount of \$51,959. The decrease in claims payable is a result of a decrease in the number of insurance claims filed for fiscal year 2018 as compared to fiscal year 2017, based upon information provided by the School District's third party administrator for the self-insurance plan.

Long term liabilities, excluding the pension/OPEB liability, decreased \$649,278. This decrease was primarily due to principal payments in the amount of \$455,000 for the School Facilities Construction and Improvement 2012 Refunding Bonds, \$370,205 in principal payments for the School Facilities Construction and Improvement 2013 Refunding Bonds, and capital lease principal payments in the amount of \$81,575. Compensated absences reflect an increase of \$81,728.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, and comparisons to fiscal year 2017.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
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Unaudited

Table 2 - Changes in Net Position
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Program Expenses			
Program Revenues			
Charges for Services	\$1,876,204	\$1,950,378	(\$74,174)
Operating Grants, Contributions, and Interest	2,012,696	2,078,510	(65,814)
Capital Grants and Contributions	50,541	23,164	27,377
<i>Total Program Revenues</i>	<u>3,939,441</u>	<u>4,052,052</u>	<u>(112,611)</u>
General Revenue			
Property Taxes	10,193,475	7,554,305	2,639,170
Payment in Lieu of Taxes	189,246	2,660	186,586
Grants and Entitlements	6,127,214	6,151,210	(23,996)
Unrestricted Contributions	37,800	5,539	32,261
Investment Earnings	60,764	42,808	17,956
Gain on Sale of Capital Asset	0	26,059	(26,059)
Miscellaneous Revenue	172,190	93,918	78,272
<i>Total General Revenues</i>	<u>16,780,689</u>	<u>13,876,499</u>	<u>2,904,190</u>
<i>Total Revenues</i>	<u>20,720,130</u>	<u>17,928,551</u>	<u>2,791,579</u>
Instruction			
Regular	\$4,708,750	\$10,109,517	(\$5,400,767)
Special	2,365,431	3,679,526	(1,314,095)
Intergovernmental	12,631	11,126	1,505
Vocational	59,314	189,128	(129,814)
Student Intervention Services	8,411	17,747	(9,336)
Support Services			
Pupils	453,409	705,484	(252,075)
Instructional Staff	285,697	508,458	(222,761)
Board of Education	24,338	24,334	4
Administration	792,188	1,697,213	(905,025)
Fiscal	462,389	530,783	(68,394)
Operation and Maintenance of Plant	1,894,039	2,443,845	(549,806)
Pupil Transportation	1,079,332	1,287,506	(208,174)
Central	3,275	4,322	(1,047)
Operation of Non-Instructional Services:			
Food Service Operations	662,646	750,990	(88,344)
Other Non-Instructional Services	10,203	49,847	(39,644)
Extracurricular Activities	286,429	312,471	(26,042)
Interest and Fiscal Charges	727,417	684,366	43,051
<i>Total Expenses</i>	<u>13,835,899</u>	<u>23,006,663</u>	<u>(9,170,764)</u>
<i>Change in Net Position</i>	6,884,231	(5,078,112)	11,962,343
Net Position Beginning of Year	(1,742,798)	N/A	
Net Position End of Year	<u>\$5,141,433</u>	<u>(\$1,742,798)</u>	<u>\$6,884,231</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$31,225 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense

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represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$595,879. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$13,835,899
Negative OPEB expense under GASB 75	595,879
2018 contractually required contribution	<u>38,349</u>
Adjusted 2018 program expenses	14,470,127
Total 2017 program expenses under GASB 45	<u>23,006,663</u>
Decrease in program expenses not related to OPEB	<u><u>(\$8,536,536)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS also decreased their COLA assumption. (See Note 13) As a result of these changes, pension expense decreased from \$1,986,702 in fiscal year 2017 to a negative pension expense of \$5,225,467 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

	2018 Program Expenses Related to Negative Pension Expense
Program Expenses	
Instruction:	
Regular	(\$2,868,878)
Special	(651,116)
Vocational	(63,653)
Support Services:	
Pupils	(119,328)
Instructional Staff	(101,513)
Administration	(525,147)
Fiscal	(133,232)
Operation and Maintenance of Plant	(337,617)
Pupil Transportation	(316,674)
Operation of Non-Instructional Services:	
Food Service Operations	(97,254)
Extracurricular Activities	<u>(11,055)</u>
Total Expenses	<u><u>(\$5,225,467)</u></u>

The School District's net position increased \$6,884,231. Revenues reflect an increase in the amount of \$2,791,579 primarily due to an increase in general revenues in the amount of \$2,904,190. This increase is primarily due to an increase in property taxes revenue in the amount of \$2,639,170 as a result of a change in collection dates as set by the county auditors. In fiscal year 2018, 49 percent of the School District's revenues were from property taxes, and 30 percent were from unrestricted grants and entitlements. During fiscal year 2018, property taxes revenue increased due to an increase in the amount available for real estate taxes due to a change in timing of the real estate collections which are set by the county auditors.

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Instructional programs comprise approximately 52 percent of total governmental program expenses. Of the instructional expenses, approximately 66 percent is for regular instruction, 33 percent for special instruction and intergovernmental, and 1 percent for vocational and student intervention services instruction.

Support services comprise approximately 36 percent of governmental program expenses of the School District.

In November of 2002, the residents of the School District approved a \$23,950,000 bond levy as part of the Expedited Local Partnership Program. The School District built a new high school and renovated the middle school during phase one and one new elementary building was built during phase two. Phase one construction costs were funded entirely by local monies. Phase two was funded with the Ohio School Facilities Commission grant which the School District mentioned prior. On September 18, 2013, the School District Board of Education approved a resolution to move forward with phase two of the project. On September 18, 2013, the local portion of the Ohio School Facilities Commission project was approved. Transfers in the amount of \$600,000 from the General Fund and transfers in the amount of \$2,471,932 from the Permanent Improvement Fund were approved by the Board of Education in fiscal year 2014 and the transfers were receipted into the Classroom Facilities Maintenance Special Revenue Fund in the amount of \$700,000 and into the Classroom Facilities Project Capital Project Fund in the amount of \$2,371,932. The School District also took action in fiscal year 2014 to approve the receipt of \$120,000 in payment in lieu of taxes into the Classroom Facilities Maintenance Special Revenue Fund for the next twenty-three years. Due to the approval of this agreement between the School District and the Ohio School Facilities Commission, no local levy was necessary for the Classroom Facilities Maintenance Special Revenue Fund and the School District was originally granted \$14,598,522 by the Ohio School Facilities Commission.

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

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
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Table 3 - Governmental Activities

	2018 Total Cost of Services	2018 Net Cost of Services	2017 Total Cost of Services	2017 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$4,708,750	\$3,204,154	\$10,109,517	\$8,803,575
Special	2,365,431	1,037,335	3,679,526	2,014,401
Intergovernmental	12,631	0	11,126	0
Vocational	59,314	(24,053)	189,128	160,160
Student Intervention Services	8,411	8,411	17,747	17,747
Support Services:				
Pupils	453,409	453,409	705,484	705,484
Instructional Staff	285,697	264,413	508,458	424,734
Board of Education	24,338	24,338	24,334	24,334
Administration	792,188	604,307	1,697,213	1,566,641
Fiscal	462,389	377,128	530,783	437,108
Operation and Maintenance of Plant	1,894,039	1,881,780	2,443,845	2,436,242
Pupil Transportation	1,079,332	1,058,860	1,287,506	1,273,801
Central	3,275	3,275	4,322	4,322
Operation of Non-Instructional Services:				
Food Service Operations	662,646	75,185	750,990	167,662
Other Non-Instructional Services	10,203	3,288	49,847	46,549
Extracurricular Activities	286,429	197,211	312,471	187,485
Interest and Fiscal Charges	727,417	727,417	684,366	684,366
Totals	\$13,835,899	\$9,896,458	\$23,006,663	\$18,954,611

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2018, only 28 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 72 percent is provided through taxes and entitlements.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,368,746, expenditures of \$20,703,678, and other financing sources and (uses) of \$79,094.

General Fund

The fund balance of the General Fund at June 30, 2018 is \$1,815,287, an increase of \$266,368 from fiscal year 2017. Total revenues increased by \$2,054,358 as a result of an increase in the amount available for real estate taxes due to a change in timing of the real estate collections which are set by the county auditors.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Other Governmental Major Fund

Debt Service Fund

The fund balance of the Debt Service Fund at June 30, 2018 is \$1,966,121, a decrease of \$413,378 from the prior fiscal year. This decrease is due to the debt service payments exceeding the revenue received. Debt service payments increased in fiscal year 2018 by \$34,739. The millage for bond retirement decreased during fiscal year 2017 in the amount of 0.5 mills due to ample cash balances necessary to meet current and upcoming debt service payments. Total revenues increased by \$262,546 as a result of an increase in the amount available for real estate taxes due to a change in timing of the real estate collections which are set by the county auditors.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District approved original appropriations in the amount of \$17,035,516. The appropriations were increased to the final budget of \$17,487,646, including other financing uses. This increase was spread across the functions due to increases in expenditures that were not anticipated at the beginning of the fiscal year.

The School District received \$240,903 more in revenues than was expected during fiscal year 2018. Budget basis revenues and other financing sources were \$16,450,701 for the original budgeted revenues and \$16,544,701 for the final budgeted revenues. This increase in estimated resources is due to an increase in amounts anticipated to be received in property taxes.

The School District's ending General Fund budgetary balance was \$310,854.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$33,606,596 invested in land, land improvements, construction in progress, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

	Government Activities	
	2018	2017
Land and Land Improvements	\$2,937,045	\$3,131,469
Construction in Progress	50,540	0
Buildings and Improvements	29,990,320	30,937,473
Furniture and Equipment	271,711	257,755
Vehicles	356,980	429,612
Totals	\$33,606,596	\$34,756,309

See Note 9 for additional information regarding capital assets.

Debt

At June 30, 2018, the School District had \$16,991,549 outstanding in 2012 refunding bonds and 2013 refunding bonds (including premiums, discounts, and capital appreciation bonds accretion), with \$950,000 being due within one year. The bonds were issued for school facilities construction and improvements. During fiscal year 2018, the School District made bond principal payments in the amount of \$825,205, as well as making a capital appreciation bond accretion payment of \$79,795. Both bonds will be fully repaid in fiscal year 2031. Capital leases outstanding at June 30, 2018 were \$1,268,649 with \$79,609 due in one year. The School District made a principal capital lease payment of \$81,575 during fiscal year 2018. See Note 16 for more detailed information of the School District's debt. The net pension/OPEB liability under GASB 68/75 is also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

Economic Factors

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

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

West Muskingum Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The residents of the West Muskingum Local School District approved in 2013 passage of a 5.9 mill, 5 year, emergency levy which has allowed the West Muskingum Local School District a proactive opportunity to maintain current programs and services. The original levy generated an estimated \$1,777,741 per year, less estimated delinquencies and will expire in calendar year 2018. In order to maintain current programs and services with the corresponding inflationary increases, and to avoid deficit spending, the renewal of the emergency levy is required. Based upon economic conditions which exist for residents in Muskingum County, the Board of Education felt it imperative that the renewal emergency levy generate the same dollar figure, with no additional taxes. After careful consideration, the Board of Education placed the expiring emergency levy on the May 2018 ballot, for a term of 10 years with no annual increase. The levy was voter approved with a 69 percent passage rate.

With these economic factors in mind, the School District has focused on cash carryover balances in order to balance budgets within the five year forecast period.

Contacting the School District's Financial Management

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

West Muskingum Local School District, Ohio

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,984,521
Accounts Receivable	8,142
Intergovernmental Receivable	280,596
Prepaid Items	38,286
Inventory Held for Resale	5,831
Materials and Supplies Inventory	3,632
Property Taxes Receivable	8,739,709
Payment in Lieu of Taxes Receivable	189,245
Nondepreciable Capital Assets	606,873
Depreciable Capital Assets, Net	32,999,723
<i>Total Assets</i>	47,856,558
Deferred Outflows of Resources	
Deferred Charge on Refunding	597,045
Pension	5,057,734
OPEB	160,120
<i>Total Deferred Outflows of Resources</i>	5,814,899
Liabilities	
Accounts Payable	85,846
Accrued Wages and Benefits	1,309,932
Matured Compensated Absences	18,266
Contracts Payable	41,751
Accrued Interest Payable	34,393
Intergovernmental Payable	261,998
Claims Payable	407,950
Long-Term Liabilities:	
Due Within One Year	1,076,281
Due In More Than One Year:	
Net Pension Liability (See Note 13)	16,288,266
Net OPEB Liability (See Note 14)	3,676,187
Other Amounts Due in More Than One Year	17,931,378
<i>Total Liabilities</i>	41,132,248
Deferred Inflows of Resources	
Property Taxes	5,050,242
Payment in Lieu of Taxes	189,245
Pension	1,534,787
OPEB	623,502
<i>Total Deferred Inflows of Resources</i>	7,397,776
Net Position	
Net Investment in Capital Assets	16,848,759
Restricted for:	
Capital Projects	60,601
Debt Service	1,088,101
Classroom Facilities Maintenance	1,036,906
State and Federal Grants	4,637
Athletics and Music	14,589
Unrestricted	(13,912,160)
<i>Total Net Position</i>	\$5,141,433

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$4,708,750	\$1,471,439	\$33,157	\$0	(\$3,204,154)
Special	2,365,431	77,381	1,250,715	0	(1,037,335)
Intergovernmental	12,631	0	12,631	0	0
Vocational	59,314	0	32,826	50,541	24,053
Student Intervention Services	8,411	0	0	0	(8,411)
Support Services:					
Pupils	453,409	0	0	0	(453,409)
Instructional Staff	285,697	0	21,284	0	(264,413)
Board of Education	24,338	0	0	0	(24,338)
Administration	792,188	37,147	150,734	0	(604,307)
Fiscal	462,389	0	85,261	0	(377,128)
Operation and Maintenance of Plant	1,894,039	1,427	10,832	0	(1,881,780)
Pupil Transportation	1,079,332	20,472	0	0	(1,058,860)
Central	3,275	0	0	0	(3,275)
Operation of Non-Instructional Services:					
Food Service Operations	662,646	193,006	394,455	0	(75,185)
Other Non-Instructional Services	10,203	0	6,915	0	(3,288)
Extracurricular Activities	286,429	75,332	13,886	0	(197,211)
Interest and Fiscal Charges	727,417	0	0	0	(727,417)
Totals	\$13,835,899	\$1,876,204	\$2,012,696	\$50,541	(9,896,458)
General Revenues					
Property Taxes Levied for:					
General Purposes					9,308,439
Debt Service					885,036
Payment in Lieu of Taxes					189,246
Grants and Entitlements not Restricted					6,127,214
Unrestricted Contributions					37,800
Investment Earnings					60,764
Miscellaneous					172,190
Total General Revenues					16,780,689
Change in Net Position					6,884,231
Net Position Beginning of Year - Restated (See Note 3)					(1,742,798)
Net Position End of Year					\$5,141,433

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$598,624	\$1,686,201	\$2,374,655	\$4,659,480
Accounts Receivable	5,340	0	2,802	8,142
Payment in Lieu of Taxes Receivable	1,646	0	187,599	189,245
Intergovernmental Receivable	201,878	0	78,718	280,596
Prepaid Items	37,301	0	985	38,286
Inventory Held for Resale	0	0	5,831	5,831
Materials and Supplies Inventory	2,420	0	1,212	3,632
Property Taxes Receivable	7,930,366	809,343	0	8,739,709
Total Assets	\$8,777,575	\$2,495,544	\$2,651,802	\$13,924,921
Liabilities				
Accounts Payable	\$76,158	\$0	\$9,688	\$85,846
Accrued Wages and Benefits	1,206,922	0	103,010	1,309,932
Matured Compensated Absences	18,266	0	0	18,266
Contracts Payable	0	0	41,751	41,751
Intergovernmental Payable	246,366	0	15,632	261,998
Total Liabilities	1,547,712	0	170,081	1,717,793
Deferred Inflows of Resources				
Property Taxes	4,589,960	460,282	0	5,050,242
Payment in Lieu of Taxes	1,646	0	187,599	189,245
Unavailable Revenues	822,970	69,141	28,947	921,058
Total Deferred Inflows of Resources	5,414,576	529,423	216,546	6,160,545
Fund Balances				
Nonspendable	39,721	0	2,197	41,918
Restricted	0	1,966,121	1,107,100	3,073,221
Committed	143,988	0	112,064	256,052
Assigned	2,853,352	0	1,075,741	3,929,093
Unassigned (Deficits)	(1,221,774)	0	(31,927)	(1,253,701)
Total Fund Balances	1,815,287	1,966,121	2,265,175	6,046,583
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$8,777,575	\$2,495,544	\$2,651,802	\$13,924,921

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
*Reconciliation of Total Governmental Funds Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Fund Balances \$6,046,583

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 33,606,596

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

Property Taxes Receivable	807,961	
Extracurricular Activities	1,250	
Customer Sales	2,767	
Tuition and Fees	6,331	
Other	14,160	
Intergovernmental Receivable	88,589	921,058

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. (82,909)

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (34,393)

Deferred outflows of resources represent deferred charges on refundings which are not reported in the funds. 597,045

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

Bonds Payable	(15,443,641)	
Bond Premium	(697,899)	
Bond Discount	62,759	
Capital Appreciation Bonds Accretion	(912,768)	
Capital Leases Payable	(1,268,649)	
Compensated Absences	(747,461)	(19,007,659)

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

Deferred Outflows - Pension	5,057,734	
Deferred Outflows - OPEB	160,120	
Net Pension Liability	(16,288,266)	
Net OPEB Liability	(3,676,187)	
Deferred Inflows - Pension	(1,534,787)	
Deferred Inflows - OPEB	(623,502)	(16,904,888)

Net Position of Governmental Activities \$5,141,433

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$8,979,861	\$854,076	\$0	\$9,833,937
Payment in Lieu of Taxes	1,646	0	187,600	189,246
Intergovernmental	6,763,575	85,261	1,341,436	8,190,272
Interest	58,018	0	55	58,073
Tuition and Fees	1,574,434	0	0	1,574,434
Extracurricular Activities	36,997	0	75,332	112,329
Rentals	120	0	0	120
Charges for Services	0	0	190,239	190,239
Contributions and Donations	37,800	0	18,537	56,337
Miscellaneous	162,114	0	1,645	163,759
Total Revenues	17,614,565	939,337	1,814,844	20,368,746
Expenditures				
Current:				
Instruction:				
Regular	8,837,873	0	94,124	8,931,997
Special	2,496,910	0	739,402	3,236,312
Vocational	143,035	0	8,544	151,579
Student Intervention Services	8,411	0	0	8,411
Support Services:				
Pupils	591,619	0	0	591,619
Instructional Staff	303,035	0	43,472	346,507
Board of Education	24,338	0	0	24,338
Administration	1,377,569	0	0	1,377,569
Fiscal	497,184	14,122	0	511,306
Operation and Maintenance of Plant	1,530,526	0	207,870	1,738,396
Pupil Transportation	1,165,214	0	0	1,165,214
Central	3,275	0	0	3,275
Operation of Non-Instructional Services:				
Food Service Operations	0	0	618,740	618,740
Other Non-Instructional Services	3,250	0	6,953	10,203
Extracurricular Activities	169,339	0	97,760	267,099
Intergovernmental	0	0	12,631	12,631
Capital Outlay	0	0	226,071	226,071
Debt Service:				
Principal Retirement	81,575	825,205	0	906,780
Interest and Fiscal Charges	62,243	433,593	0	495,836
Capital Appreciation Bonds Accretion	0	79,795	0	79,795
Total Expenditures	17,295,396	1,352,715	2,055,567	20,703,678
Excess of Revenues Over (Under) Expenditures:	319,169	(413,378)	(240,723)	(334,932)
Other Financing Sources (Use)				
Proceeds from Sale of Capital Assets	6,600	0	2,895	9,495
Inception of a Capital Lease	69,599	0	0	69,599
Transfers In	0	0	129,000	129,000
Transfers Out	(129,000)	0	0	(129,000)
Total Other Financing Sources (Use)	(52,801)	0	131,895	79,094
Net Change in Fund Balances	266,368	(413,378)	(108,828)	(255,838)
Fund Balances Beginning of Year	1,548,919	2,379,499	2,374,003	6,302,421
Fund Balances End of Year	<u>\$1,815,287</u>	<u>\$1,966,121</u>	<u>\$2,265,175</u>	<u>\$6,046,583</u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds (\$255,838)

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

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

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

Capital Assets Additions	171,479	
Current Year Depreciation	<u>(1,303,196)</u>	(1,131,717)

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

Proceeds from Sale of Capital Assets	(9,495)	
Loss on the Sale of Capital Assets	<u>(8,501)</u>	(17,996)

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

Property Taxes	359,538	
Extracurricular Activities	150	
Customer Sales	2,767	
Intergovernmental	(18,358)	
Tuition and Fees	(3,835)	
Miscellaneous	8,431	
Interest	<u>(441)</u>	348,252

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

Compensated Absences		(81,728)
----------------------	--	----------

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

(69,599)

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

Premium Amortization	134,053	
Discount Amortization	(4,924)	
Capital Apprection Bonds Matured Accretion	79,795	
Accretion of the Capital Appreciation Bonds	(315,099)	
Accrued Interest Payable	<u>1,100</u>	(105,075)

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

906,780

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

(46,711)

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

411,015

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

Pension	1,067,153	
OPEB	<u>38,349</u>	1,105,502

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

Pension	5,225,467	
OPEB	<u>595,879</u>	<u>5,821,346</u>

Change in Net Position of Governmental Activities \$6,884,231

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,998,033	\$8,092,033	\$7,957,145	(\$134,888)
Payment in Lieu of Taxes	10,000	10,000	1,646	(8,354)
Intergovernmental	6,635,544	6,635,544	6,785,674	150,130
Interest	20,000	20,000	58,635	38,635
Tuition and Fees	1,586,274	1,586,274	1,650,862	64,588
Rent	250	250	120	(130)
Gifts and Donations	3,500	3,500	37,800	34,300
Miscellaneous	14,500	14,500	111,122	96,622
<i>Total Revenues</i>	16,268,101	16,362,101	16,603,004	240,903
Expenditures				
Current:				
Instruction:				
Regular	8,649,973	8,814,285	8,736,849	77,436
Special	2,376,946	2,422,098	2,497,021	(74,923)
Vocational	161,385	164,451	142,083	22,368
Student Intervention Services	19,431	19,800	11,209	8,591
Support Services:				
Pupils	570,050	580,878	611,899	(31,021)
Instructional Staff	355,262	362,010	304,551	57,459
Board of Education	26,293	26,792	25,063	1,729
Administration	1,285,030	1,344,440	1,368,367	(23,927)
Fiscal	496,160	507,610	493,272	14,338
Operation and Maintenance of Plant	1,614,638	1,645,309	1,579,786	65,523
Pupil Transportation	1,189,865	1,212,467	1,242,608	(30,141)
Central	4,000	4,000	3,275	725
Non-Instructional Services	5,000	5,000	3,250	1,750
Extracurricular Activities	159,127	162,150	178,269	(16,119)
Debt Service:				
Principal Retirement	60,000	60,000	60,000	0
Interest and Fiscal Charges	62,356	62,356	61,356	1,000
<i>Total Expenditures</i>	17,035,516	17,393,646	17,318,858	74,788
<i>Excess of Revenues Under Expenditures</i>	(767,415)	(1,031,545)	(715,854)	315,691
Other Financing Sources (Use)				
Proceeds from Sale of Capital Assets	2,600	2,600	2,600	0
Advances In	180,000	180,000	180,000	0
Transfers Out	0	(94,000)	(129,000)	(35,000)
<i>Total Other Financing Sources (Use)</i>	182,600	88,600	53,600	(35,000)
<i>Net Change in Fund Balance</i>	(584,815)	(942,945)	(662,254)	280,691
<i>Fund Balance Beginning of Year</i>	572,394	572,394	572,394	0
Prior Year Encumbrances Appropriated	400,714	400,714	400,714	0
<i>Fund Balance End of Year</i>	\$388,293	\$30,163	\$310,854	\$280,691

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Fund Net Position

Internal Service Fund

June 30, 2018

	<u>Self- Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$325,041
Current Liabilities	
Claims Payable	<u>407,950</u>
Net Position	
Unrestricted (Deficit)	<u><u>(\$82,909)</u></u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Self-Insurance
Operating Revenues	
Charges for Services	\$3,017,930
Operating Expenses	
Purchased Services	583,260
Claims	2,026,787
<i>Total Operating Expenses</i>	2,610,047
<i>Operating Income</i>	407,883
Non-Operating Revenues	
Interest Income	3,132
<i>Change in Net Position</i>	411,015
<i>Net Position (Deficit) at Beginning of Year</i>	(493,924)
<i>Net Position (Deficit) at End of Year</i>	(\$82,909)

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2018

	<u>Self- Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$2,837,641
Cash Payments to Suppliers for Services	(583,260)
Cash Payments for Claims	<u>(2,255,416)</u>
<i>Net Cash Used for Operating Activities</i>	(1,035)
Cash Flows for Noncapital Financing Activities	
Advances Out	(150,000)
Cash Flows from Investing Activities	
Interest on Investments	<u>3,132</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(147,903)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>472,944</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$325,041</u></u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income	\$407,883
Changes in Assets and Liabilities	
Increase in Unearned Revenue	(180,289)
Increase in Claims Payable	<u>(228,629)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$1,035)</u></u>

See accompanying notes to the basic financial statements

West Muskingum Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	\$77,579
Cash and Cash Equivalents in Segregated Accounts	<u>15,599</u>
<i>Total Assets</i>	<u><u>\$93,178</u></u>
 Liabilities	
Due to Students	\$77,579
Intergovernmental Payable	<u>15,599</u>
<i>Total Liabilities</i>	<u><u>\$93,178</u></u>

See accompanying notes to the basic financial statements

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West Muskingum Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 1 - Description of the School District and Reporting Entity

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

The School District is staffed by 63 classified employees, 102 certificated full-time teaching personnel, and 10 administrative employees who provide services to 1,629 students and other community members. The School District currently operates four instructional buildings and one administrative building.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Mid-East Career and Technology Center, the Metropolitan Educational Technology Association, the Coalition of Rural and Appalachian Schools, the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program, and the Ohio School Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

Fund Accounting

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

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

Measurement Focus

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

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

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in 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 activity.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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, payment in lieu of taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 20. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and OPEB plans, and unavailable revenue. Property taxes represent

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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, intergovernmental grants, tuition and fees, extracurricular activities, customer sales, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

Cash and Cash Equivalents

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$58,018, which includes \$47,363 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. The School District had no investments as of June 30, 2018.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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.

Inventory

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Capital Assets

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

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

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

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

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.

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 governments or imposed by law through constitutional provisions. See Note 21 for additional information regarding set asides.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Compensated Absences

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

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

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences 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 pension is not sufficient for payment of those benefits. Bonds and capital 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, deferred outflows of resources, and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net pension/OPEB of the pension plans and additions to deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. 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.

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:

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in 2019's appropriated budget.

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

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Net Position

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

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

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

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

The appropriation resolution is subject to amendment by the Board of Education 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 of Education during the fiscal year.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Bond Premium and Discount

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

Deferred Charge on Refunding

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

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.

Note 3 – Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

West Muskingum Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Net Position June 30, 2017	\$3,030,999
Adjustments:	
Net OPEB Liability	(4,805,022)
Deferred Outflow - Payments Subsequent to Measurement Date	31,225
Restated Net Position June 30, 2017	(\$1,742,798)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Accountability

The following fund had deficit fund balances as of June 30, 2018:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Food Service	(\$6,636)
Title VI-B	(6,798)
Title I	(16,307)
 <u>Internal Service Fund:</u>	
Self-Insurance	(82,909)

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

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Prepaid items and fair value adjustments for investments are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
4. Encumbrances are treated as expenditures (budget basis) rather than as a commitment or assignment of fund balance for governmental fund types (GAAP basis).

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP Reporting.

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

Net Change in Fund Balance	
GAAP Basis	\$266,368
Net Adjustment for Revenue Accruals	(978,195)
Net Adjustment for Expenditure Accruals	112,839
Beginning of Fiscal Year:	
Prepaid Items	66,815
Fair Value Adjustment for Investments	(369)
End of Fiscal Year:	
Prepaid Items	(37,301)
To reclassify excess of revenues and other sources of financial resources under expenditures and other uses of financial resources into financial statement fund types	(38)
Advances In	180,000
Adjustment for Encumbrances	(272,373)
Budget Basis	<u><u>(\$662,254)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) 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 and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$153,598 of the School District's total bank balance of \$5,226,847 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. The School District's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and one institution was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities specifically pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments: As of June 30, 2018, the School District had no investments.

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

Credit Risk The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The School District had no investments as of June 30, 2018.

Note 7 - 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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The School District receives property taxes from Muskingum and Licking Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 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, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources for property taxes.

The amount available as an advance at June 30, 2018, was \$2,881,506, \$2,601,586 was available to the General Fund and \$279,920 was available to the Debt Service Fund. The amount available as an advance at June 30, 2017, was \$1,729,100, \$1,578,870 was available to the General Fund and \$150,230 was available to the Debt Service Fund.

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$301,409,928	94.27%	\$309,233,823	94.18%
Public Utility Personal	18,306,010	5.73%	19,126,920	5.82%
Total	<u>\$319,715,938</u>	<u>100.00%</u>	<u>\$328,360,743</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.20		\$46.10	

The tax rate per \$1,000 of assessed valuation decreased by a 0.1 mills from fiscal year 2017 to fiscal year 2018. The millage for the emergency levy decreased by 0.1 mills and the bond millage for debt service requirements remained the same during the fiscal year 2018 to reflect the amount of collections necessary.

Tax Abatements

The School District's property taxes were reduced by an Enterprise Zone agreement entered into by City of Zanesville. The amount of the fiscal year 2018 taxes abated for the School District was \$70,432.

Note 8 - Receivables

Receivables at June 30, 2018, consisted of property taxes, payment in lieu of taxes, accounts (student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes and payment in lieu of taxes are expected to be received within one year. The delinquent property taxes amounted to \$807,961 as of June 30, 2018.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Title I Grant	\$36,858
Motor Vehicle Fuel Tax Refund	2,745
Title II-A Grant	4,731
Title VI-B Special Education Grant	25,961
School Employees Retirement System Refund	14,160
Zane State VoAg Building Grant	7,452
Bureau of Workers' Compensation Refund	54,825
State Foundation Adjustments	67,898
Medicaid Reimbursement	65,240
Miscellaneous	726
Total	<u><u>\$280,596</u></u>

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

On March 15, 2017, the City of Zanesville entered into a tax increment financing agreement with We Luv Pets for the purpose of public infrastructure improvements adjacent to and within the right-of-way and ingress and egress access points to the property along North Pointe Drive including construction of improvements to the respective roadway. To encourage these improvements, property owner was granted an exemption from paying real property taxes on the new construction. We Luv Pets was granted a 100 percent, thirty year real property exemption. The School District has agreed to this project and is being made whole for lost real property taxes that otherwise would have been due each year, pursuant to the financing agreement. The property owner will make payment in lieu of taxes to the City of Zanesville which is distributed to the School District. These payments are being used to finance infrastructure improvements and will continue over ten to thirty years. Based upon the provisions of the agreement, the payments in lieu of taxes include scheduled increases over the thirty year period of the school compensation agreement.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Capital Assets				
Land	\$140,494	\$0	\$0	\$140,494
Land Improvements	415,839	0	0	415,839
Construction in Progress	0	50,540	0	50,540
Total Non-Depreciable Capital Assets	<u>556,333</u>	<u>50,540</u>	<u>0</u>	<u>606,873</u>
Depreciable Capital Assets				
Land Improvements	3,784,283	12,600	0	3,796,883
Building and Improvements	39,766,464	0	0	39,766,464
Furniture and Equipment	2,466,033	80,234	(80,050)	2,466,217
Vehicles	1,528,682	28,105	(88,892)	1,467,895
Total at Historical Cost	<u>47,545,462</u>	<u>120,939</u>	<u>(168,942)</u>	<u>47,497,459</u>
Less Accumulated Depreciation				
Land Improvements	(1,209,147)	(207,024)	0	(1,416,171)
Buildings and Improvements	(8,828,991)	(947,153)	0	(9,776,144)
Furniture and Equipment	(2,208,278)	(66,278)	80,050	(2,194,506)
Vehicles	(1,099,070)	(82,741)	70,896	(1,110,915)
Total Accumulated Depreciation	<u>(13,345,486)</u>	<u>(1,303,196) *</u>	<u>150,946</u>	<u>(14,497,736)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>34,199,976</u>	<u>(1,182,257)</u>	<u>(17,996)</u>	<u>32,999,723</u>
Governmental Activities Capital Assets, Net	<u>\$34,756,309</u>	<u>(\$1,131,717)</u>	<u>(\$17,996)</u>	<u>\$33,606,596</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$615,360
Special	177,113
Vocational	16,652
Support Services:	
Pupils	32,574
Instructional Staff	17,940
Administration	88,299
Operation of Maintenance and Plant	137,649
Pupil Transportation	78,249
Extracurricular Activities	35,369
Food Service Operations	103,991
Total Depreciation Expense	<u>\$1,303,196</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 10 – Interfund Transactions

During fiscal year 2018, the General Fund transferred \$94,000 to the Food Service Special Revenue Fund for the purpose of covering operational expenses. The General Fund also transferred \$35,000 to the Technology Capital Projects Fund for the purchase of technological equipment.

During fiscal year 2018, the Self Insurance Internal Service Fund repaid an outstanding advance to the General Fund in the amount of \$150,000 and the Food Service Special Revenue Fund repaid an outstanding advance to the General fund in the amount of \$30,000. There were no outstanding advances between funds as of June 30, 2018.

Note 11 - 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 2018, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 18)

The types and amounts of coverage provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$56,108,318
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 deductible)	1,000,000
Automobile Liability (\$0 deductible)	2,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per Occurrence - Bodily Injury, Property Damage, and Sexual Abuse Injury	2,000,000
Aggregate	4,000,000
Personal and Advertising Injury	2,000,000
Products Completed Operations Aggregate	2,000,000
Educational Legal Liability (\$2,500 deductible)	
Errors and Omissions Injury Limit	2,000,000
Aggregate Per Year	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2017.

Worker’s Compensation

The School District participates in the workers’ compensation program provided by the State of Ohio. The School District participates in the Ohio SchoolComp Workers’ Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 18). The Program is intended to achieve lower workers’ compensation rates while establishing safer working conditions and environments for participants.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a premium refund or assessment. Employers will pay experience or based rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

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

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

Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a Self-Insurance Internal Service Fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$407,950 reported in the Internal Service Fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an unlimited aggregate stop-loss coverage policy. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$75,000 annually.

Changes in the fund's claims liability amount in fiscal years 2017 and 2018 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2017	\$479,929	\$2,941,936	\$2,785,286	\$636,579
2018	636,579	2,026,787	2,255,416	407,950

Note 12 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

vacation time is paid to classified employees and administrators upon termination of employment up to a maximum of 30 days. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for certified and classified employees. Upon retirement, certified and classified employees receive payment for one-fourth of their total sick leave accumulation up to 57.5 days.

Insurance

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

Retirement Incentive

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

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

At June 30, 2018, no retirement incentives were accrued as a liability.

Note 13 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability 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 represent 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 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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension 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. Resulting adjustments to the net pension/OPEB liability 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 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 14 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$246,949 for fiscal year 2018. Of this amount, \$17,331 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$820,204 for fiscal year 2018. Of this amount, \$100,756 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, 2017, 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:

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability Prior Measurement Date	0.06017550%	0.05748131%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.05765530%</u>	<u>0.05406598%</u>	
Change in Proportionate Share	<u>-0.00252020%</u>	<u>-0.00341533%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,444,777	\$12,843,489	\$16,288,266
Pension Expense	(\$178,725)	(\$5,046,742)	(\$5,225,467)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$148,251	\$495,956	\$644,207
Changes of assumptions	178,132	2,809,012	2,987,144
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	38,076	321,154	359,230
School District contributions subsequent to the measurement date	<u>246,949</u>	<u>820,204</u>	<u>1,067,153</u>
Total Deferred Outflows of Resources	<u>\$611,408</u>	<u>\$4,446,326</u>	<u>\$5,057,734</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$103,514	\$103,514
Net difference between projected and actual earnings on pension plan investments	16,352	423,850	440,202
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>186,641</u>	<u>804,430</u>	<u>991,071</u>
Total Deferred Inflows of Resources	<u>\$202,993</u>	<u>\$1,331,794</u>	<u>\$1,534,787</u>

\$1,067,153 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$83,418	\$490,427	\$573,845
2020	137,703	1,067,011	1,204,714
2021	20,650	713,630	734,280
2022	<u>(80,305)</u>	<u>23,260</u>	<u>(57,045)</u>
 Total	 <u>\$161,466</u>	 <u>\$2,294,328</u>	 <u>\$2,455,794</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.

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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,780,455	\$3,444,777	\$2,325,874

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	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	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	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.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees 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. 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 the July 1, 2016 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 set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00%	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include 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 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes 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 projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$18,410,705	\$12,843,489	\$8,153,945

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2018, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 14 – Defined Benefit OPEB Plans

See Note 13 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. 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 Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$29,203.

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 \$38,349 for fiscal year 2018. Of this amount, \$29,845 is reported as an intergovernmental payable.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, 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 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability Prior Measurement Date	0.06072570%	0.05748131%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.05837870%</u>	<u>0.05406598%</u>	
Change in Proportionate Share	<u>-0.00234700%</u>	<u>-0.00341533%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,566,731	\$2,109,456	\$3,676,187
OPEB Expense	\$73,906	(\$669,785)	(\$595,879)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

West Muskingum Local School District, Ohio

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For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$121,771	\$121,771
School District contributions subsequent to the measurement date	<u>38,349</u>	<u>0</u>	<u>38,349</u>
Total Deferred Outflows of Resources	<u>\$38,349</u>	<u>\$121,771</u>	<u>\$160,120</u>
Deferred Inflows of Resources			
Changes of assumptions	\$148,675	\$169,923	\$318,598
Net difference between projected and actual earnings on OPEB plan investments	4,137	90,163	94,300
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>54,045</u>	<u>156,559</u>	<u>210,604</u>
Total Deferred Inflows of Resources	<u>\$206,857</u>	<u>\$416,645</u>	<u>\$623,502</u>

\$38,349 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$74,484)	(\$56,659)	(\$131,143)
2020	(74,484)	(56,659)	(131,143)
2021	(56,855)	(56,659)	(113,514)
2022	(1,034)	(56,660)	(57,694)
2023	0	(34,119)	(34,119)
Thereafter	<u>0</u>	<u>(34,118)</u>	<u>(34,118)</u>
Total	<u>(\$206,857)</u>	<u>(\$294,874)</u>	<u>(\$501,731)</u>

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.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

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 2010 through 2015, and was adopted by the Board on April 21, 2016. 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 log-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, 7.50 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 13.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 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 state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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 (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 2.5 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,892,027	\$1,566,731	\$1,309,013

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$1,271,285	\$1,566,731	\$1,957,759

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

For 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, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, 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 were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, 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 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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 13.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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 (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
School District's proportionate share of the net OPEB liability	\$2,831,910	\$2,109,456	\$1,538,480

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$1,465,559	\$2,109,456	\$2,956,898

Note 15 - Capitalized Leases

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

During fiscal year 2018, the School District entered into a capital lease for the purchase of copiers. The copiers were capitalized in the amount of \$69,599. This amount represents the present value of the minimum lease payments at the time of acquisition.

The accumulated depreciation on the building and equipment as of June 30, 2018, was \$508,569. Principal payments in fiscal year 2018 totaled \$81,575 in the governmental funds.

The following is a schedule of capital assets acquired through capital leases at June 30, 2018 for governmental funds:

Capitalized Leased Assets	Present Value of Future Minimum Lease Payments	Less Accumulated Depreciation 6/30/2018	Net of Accumulated Depreciation
<u>Governmental Activities:</u>			
Building	\$1,800,000	\$495,000	\$1,305,000
Equipment	69,599	6,960	62,639
Scoreboards	44,066	6,609	37,457
Total Governmental Activities	<u>\$1,913,665</u>	<u>\$508,569</u>	<u>\$1,405,096</u>

The agreements provide for minimum annual lease payments as follows:

Year	Principal	Interest	Total
2019	\$79,609	\$57,572	\$137,181
2020	79,224	54,034	133,258
2021	82,942	50,322	133,264
2022	86,699	46,436	133,135
2023	89,175	42,372	131,547
2024-2028	431,000	155,596	586,596
2029-2032	420,000	48,660	468,660
Total	<u>\$1,268,649</u>	<u>\$454,992</u>	<u>\$1,723,641</u>

West Muskingum Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Long Term Obligations

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

	Principal Outstanding 6/30/2017	Additions	Reductions	Principal Outstanding 6/30/2018	Amounts Due in One Year
Governmental Activities					
<i>School Facilities Construction and Improvement Refunding Bonds 2012</i>					
Serial Bonds - \$6,105,000 1.50%-3.125%	\$4,585,000	\$0	\$455,000	\$4,130,000	\$0
Term Bonds - \$1,735,000 3.00%	1,735,000	0	0	1,735,000	0
<i>Capital Appreciation Bonds -</i>					
\$159,593 2.15%-2.37%	159,593	0	0	159,593	89,745
Capital Appreciation Bonds Accretion	408,138	161,701	0	569,839	375,255
Serial Bond Premium	60,405	0	4,315	56,090	0
Capital Appreciation Bonds Premium	237,600	0	79,200	158,400	0
Serial/Term Bond Discount	(33,726)	0	(2,409)	(31,317)	0
<i>School Facilities Construction and Improvement Refunding Bonds 2013</i>					
Serial Bonds - \$9,795,000 2.00%-3.00%	8,575,000	0	360,000	8,215,000	275,000
Term Bonds - \$1,170,000 3.00%	1,170,000	0	0	1,170,000	0
<i>Capital Appreciation Bonds -</i>					
\$59,312	44,253	0	10,205	34,048	15,239
Capital Appreciation Bonds Accretion	269,326	153,398	79,795	342,929	194,761
Serial Bond Premium	134,768	0	20,969	113,799	0
Capital Appreciation Bonds Premium	399,179	0	29,569	369,610	0
Serial/Term Bond Discount	(33,957)	0	(2,515)	(31,442)	0
Total General Obligation Bonds	17,710,579	315,099	1,034,129	16,991,549	950,000
<i>Net Pension Liability:</i>					
SERS	4,404,291	0	959,514	3,444,777	0
STRS	19,240,727	0	6,397,238	12,843,489	0
Total Net Pension Liability	23,645,018	0	7,356,752	16,288,266	0
<i>Net OPEB Liability:</i>					
SERS	1,730,907	0	164,176	1,566,731	0
STRS	3,074,115	0	964,659	2,109,456	0
Total Net OPEB Liability	4,805,022	0	1,128,835	3,676,187	0
<i>Capital Leases</i>	1,280,625	69,599	81,575	1,268,649	79,609
<i>Compensated Absences Payable</i>	665,733	157,033	75,305	747,461	46,672
Total Governmental Activities Long-Term Liabilities	\$48,106,977	\$541,731	\$9,676,596	\$38,972,112	\$1,076,281

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

On May 8, 2012, the School District issued \$7,999,593 School Facilities Construction and Improvement Refunding Bonds that were issued to partially refund the 2003 School Facilities Construction and Improvement General Obligation Bonds. The bonds were issued for a nineteen year period with a final maturity at December 1, 2030. The \$7,999,593 bond issue consists of serial bonds of \$6,105,000, \$1,735,000 term bonds, and \$159,593 in capital appreciation bonds. The serial bonds were issued at a premium in the amount of \$81,978. The capital appreciation bonds were issued at a premium in the amount of \$633,600. The term bonds and a few serial bonds were issued at a discount in the amount of \$45,771. Issuance costs were \$123,849. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$500,617. This difference is being reported in the accompanying financial statements as deferred outflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The current year amortization was \$26,349. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$1,257,489. The issuance resulted in a total economic gain in the amount of \$980,556. At the date of refunding, \$8,540,801 was deposited in an irrevocable trust to provide for all future debt service payments on the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. On December 2, 2013, the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds were called and paid in full and the escrow account was closed.

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

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

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

Principal and interest requirements to retire the 2012 refunding bonds outstanding at June 30, 2018, are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2019	\$0	\$168,850	\$89,745	\$375,255	\$633,850
2020	0	168,850	69,848	395,152	633,850
2021	465,000	161,875	0	0	626,875
2022	475,000	149,853	0	0	624,853
2023	485,000	138,744	0	0	623,744
2024-2028	2,655,000	473,588	0	0	3,128,588
2029-2031	1,785,000	83,446	0	0	1,868,446
Totals	<u>\$5,865,000</u>	<u>\$1,345,206</u>	<u>\$159,593</u>	<u>\$770,407</u>	<u>\$8,140,206</u>

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

On January 15, 2013, the School District issued \$11,024,312 School Facilities Construction and Improvement Refunding Bonds that were issued to partially refund the 2003 School Facilities Construction and Improvement General Obligation Bonds. The bonds were issued for an eighteen year period with a final maturity at December 1, 2030. The \$11,024,312 bond issue consists of serial bonds of \$9,795,000, \$1,170,000 term bonds, and \$59,312 in capital appreciation bonds. The serial bonds were issued at a premium in the amount of \$229,131. The capital appreciation bonds were issued at a premium in the amount of \$532,239. The term bonds and serial bonds were issued at a discount in the amount of \$45,276. Issuance costs were \$186,170. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$366,506. This difference is being reported in the accompanying financial statements as deferred outflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The current year amortization was \$20,362. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt in the amount of \$2,285,545. The issuance resulted in a total economic gain in the amount of \$1,821,596. At the date of refunding, \$11,548,699 was deposited in an irrevocable trust to provide for all future debt service payments on the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. On December 2, 2013, the partially refunded 2003 School Facilities Construction and Improvement General Obligation Bonds were called and paid in full and the escrow account was closed.

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

	Principal Amount to be
<u>Year</u>	<u>Redeemed</u>
2027	\$555,000

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

Principal and interest requirements to retire the 2013 refunding bonds outstanding at June 30, 2018, are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2019	\$275,000	\$255,203	\$15,239	\$194,761	\$740,203
2020	110,000	251,058	18,809	386,192	766,059
2021	560,000	244,200	0	0	804,200
2022	605,000	231,825	0	0	836,825
2023	650,000	216,925	0	0	866,925
2024-2028	4,010,000	779,801	0	0	4,789,801
2029-2031	3,175,000	147,225	0	0	3,322,225
Totals	<u>\$9,385,000</u>	<u>\$2,126,237</u>	<u>\$34,048</u>	<u>\$580,953</u>	<u>\$12,126,238</u>

The School District’s overall legal debt margin at June 30, 2018, was \$16,074,947, with an unvoted debt margin of \$328,361.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Capital leases will be paid from the General Fund. Compensated absences are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Food Service Special Revenue Funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, Food Service, Title VI-B, and Title I Nonmajor Special Revenue Funds. For additional information related to the net pension/OPEB liability see Notes 13 and 14.

Note 17- Jointly Governed Organizations

Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services over twenty-nine school districts, educational service centers, community schools, and non-public schools within the boundaries of Licking, Muskingum, Fairfield, Perry, Knox, and Medina Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists.

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for computer services for fiscal year 2018 were \$84,301. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

Mid-East Career and Technology Center

The Mid-East Career and Technology Center is a jointly governed organization providing vocational education services to its fourteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting, and designating management. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2018, the School District made no contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Metropolitan Educational Technology Association

The School District participates in the Metropolitan Educational Technology Association (META), formerly the Metropolitan Educational Council (MEC), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2018, the School District's membership for the purchasing cooperative was waived by META. Financial information can be obtained from the Metropolitan Educational Technology Association at 2100 Citygate Drive, Columbus, Ohio 43219.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The 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 2018, the School District paid \$325 to the Coalition for membership services. The financial information for the Coalition can be obtained from the Executive Director, at 322 McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 18 - Insurance Purchasing Pools

Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. During fiscal year 2018, the School District paid \$2,175 in enrollment fees to the Program.

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), and insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

Note 19 - 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, 2018.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. As of the date of this report, ODE adjustments for fiscal year 2018 have been finalized. The impact of the FTE adjustments were not material to the fiscal year 2018 financial statements.

Litigation

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 20 – 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 year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:	
General Fund	\$272,373
Nonmajor Governmental Funds	<u>324,819</u>
Total	<u><u>\$597,192</u></u>

Contractual Commitments

<u>Vendor</u>	<u>Original Contract</u>	<u>Paid to Date</u>	<u>Amount Remaining</u>
Brian Addis, Architect LLC	\$53,810	\$40,187	\$13,623

Note 21 - Set Asides

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

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2017	<u>\$0</u>
Current Year Set-aside Requirement	265,957
Current Year Offsets	(942,350)
Qualifying Disbursements	<u>0</u>
Total	<u><u>(\$676,393)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 22 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepays	\$37,301	\$0	\$985	\$38,286
Materials and Supplies				
Inventory	2,420	0	1,212	3,632
<i>Total Nonspendable</i>	39,721	0	2,197	41,918
<u>Restricted for:</u>				
Athletics and Music	0	0	14,578	14,578
State and Federal Grant	0	0	2,467	2,467
Classroom Facilities Maintenance	0	0	1,036,906	1,036,906
Debt Service	0	1,966,121	0	1,966,121
Capital Projects	0	0	53,149	53,149
<i>Total Restricted</i>	0	1,966,121	1,107,100	3,073,221
<u>Committed to:</u>				
Scholarships	0	0	4,922	4,922
Capital Projects	0	0	107,142	107,142
Purchases on Order	143,988	0	0	143,988
<i>Total Committed</i>	143,988	0	112,064	256,052
<u>Assigned to:</u>				
Capital Improvements	0	0	1,075,741	1,075,741
Public School Support	15,456	0	0	15,456
Assigned to Subsequent Year's				
Appropriations	2,776,885	0	0	2,776,885
Purchases on Order	61,011	0	0	61,011
<i>Total Assigned</i>	2,853,352	0	1,075,741	3,929,093
Unassigned:	(1,221,774)	0	(31,927)	(1,253,701)
<i>Total Fund Balances</i>	\$1,815,287	\$1,966,121	\$2,265,175	\$6,046,583

West Muskingum Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 23 – Subsequent Events

Effective July 1, 2018, the School District will become fully insured through the Ohio School Benefits Cooperative, a claims service and group purchasing pool.

Effective June 30, 2018, the School District is going through a reduction in force that will eliminate ten employees through attrition and reduction in force, thus saving the School District over \$679,000. These employees will receive the remaining amounts of their contracts for fiscal year 2018. There will be no special termination benefits payable for these employees.

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0576553%	0.0601755%	0.0629314%	0.0605200%	0.0605200%
School District's Proportionate Share of the Net Pension Liability	\$3,444,777	\$4,404,291	\$3,590,926	\$3,062,883	\$3,598,930
School District's Covered Payroll	\$1,928,729	\$1,882,664	\$1,886,307	\$1,773,936	\$1,722,084
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	178.60%	233.94%	190.37%	172.66%	208.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.0583787%	0.0607257%
School District's Proportionate Share of the Net OPEB Liability	\$1,566,731	\$1,730,907
School District's Covered Payroll	\$1,928,729	\$1,882,664
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.23%	91.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to show 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 required supplementary information

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05406598%	0.05748131%	0.05576889%	0.05541196%	0.05541196%
School District's Proportionate Share of the Net Pension Liability	\$12,843,489	\$19,240,727	\$15,412,889	\$13,478,106	\$16,055,032
School District's Covered Payroll	\$5,966,207	\$6,057,336	\$5,846,386	\$5,675,928	\$6,173,231
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	215.27%	317.64%	263.63%	237.46%	260.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to required supplementary information

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.05406598%	0.05748131%
School District's Proportionate Share of the Net OPEB Liability	\$2,109,456	\$3,074,115
School District's Covered Payroll	\$5,966,207	\$6,057,336
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.36%	50.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to show 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 required supplementary information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$246,949	\$270,022	\$263,573	\$248,615
Contributions in Relation to the Contractually Required Contribution	<u>(246,949)</u>	<u>(270,022)</u>	<u>(263,573)</u>	<u>(248,615)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,829,252	\$1,928,729	\$1,882,664	\$1,886,307
Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$38,349	\$31,225	\$29,631	\$46,252
Contributions in Relation to the Contractually Required Contribution	<u>(38,349)</u>	<u>(31,225)</u>	<u>(29,631)</u>	<u>(46,252)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Contributions as a Percentage of Covered Payroll	<u>2.10%</u>	<u>1.62%</u>	<u>1.57%</u>	<u>2.45%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.60%</u>	<u>15.62%</u>	<u>15.57%</u>	<u>15.63%</u>

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

(2) Includes Surcharge

See accompanying notes to required supplementary information

2014	2013	2012	2011	2010	2009
\$245,867	\$238,336	\$233,999	\$216,885	\$216,358	\$165,613
<u>(245,867)</u>	<u>(238,336)</u>	<u>(233,999)</u>	<u>(216,885)</u>	<u>(216,358)</u>	<u>(165,613)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,773,936	\$1,722,084	\$1,739,769	\$1,725,419	\$1,597,917	\$1,683,058
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
\$31,454	\$31,586	\$34,494	\$50,076	\$30,559	\$94,461
<u>(31,454)</u>	<u>(31,586)</u>	<u>(34,494)</u>	<u>(50,076)</u>	<u>(30,559)</u>	<u>(94,461)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.77%</u>	<u>1.83%</u>	<u>1.98%</u>	<u>2.90%</u>	<u>1.91%</u>	<u>5.61%</u>
<u>15.63%</u>	<u>15.67%</u>	<u>15.43%</u>	<u>15.47%</u>	<u>15.45%</u>	<u>15.45%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$820,204	\$835,269	\$848,027	\$818,494
Contributions in Relation to the Contractually Required Contribution	<u>(820,204)</u>	<u>(835,269)</u>	<u>(848,027)</u>	<u>(818,494)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$5,858,600	\$5,966,207	\$6,057,336	\$5,846,386
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<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>
Contributions as a Percentage of Covered Payroll	<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>

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

See accompanying notes to required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$737,871	\$802,520	\$725,031	\$803,815	\$824,661	\$843,525
<u>(737,871)</u>	<u>(802,520)</u>	<u>(725,031)</u>	<u>(803,815)</u>	<u>(824,661)</u>	<u>(843,525)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,675,928	\$6,173,231	\$5,577,162	\$6,183,192	\$6,343,546	\$6,488,654
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$56,759	\$61,732	\$55,772	\$61,832	\$63,435	\$64,887
<u>(56,759)</u>	<u>(61,732)</u>	<u>(55,772)</u>	<u>(61,832)</u>	<u>(63,435)</u>	<u>(64,887)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</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>	<u>14.00%</u>

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West Muskingum School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

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

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

Beginning with fiscal year 2017, mortality assumptions 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

Amounts reported for fiscal year 2018 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 year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	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	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	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.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity Mortality Table with 50 percent of rates through age 69, 70% 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

West Muskingum School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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 set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
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 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 were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also 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 2019.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass-Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
School Breakfast Program	10.553	2017/2018	\$5,658
National School Lunch Program	10.555	2017/2018	50,917
Non-Cash Assistance (Food Distribution) Subtotal			<u>56,575</u>
Cash Assistance:			
School Breakfast Program	10.553	2017/2018	70,981
National School Lunch Program	10.555	2017/2018	256,938
Cash Assistance Subtotal			<u>327,919</u>
Total Child Nutrition Cluster			<u>384,494</u>
Total U.S. Department of Agriculture			<u>384,494</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	2017 2018	63,246 309,199
Total Title I Grants to Local Educational Agencies			<u>372,445</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	2017 2018	36,111 292,566
Total Special Education Cluster			<u>328,677</u>
Safe and Drug-Free School and Communities-National Programs	84.184	2018	10,000
Supporting Effective Instruction State Grants	84.367	2017 2018	1,715 86,247
Total Supporting Effective Instruction State Grants			<u>87,962</u>
Total U.S. Department of Education			<u>799,084</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
<i>Passed Through State Library of Ohio</i>			
Grants to States	45.310	2018	<u>3,224</u>
Total Expenditures of Federal Awards			<u><u>\$1,186,802</u></u>

The accompanying notes are an integral part of this schedule.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the West Muskingum Local School District (the School District's) under programs of the federal government for the year ended June 30, 2018. 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 C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 11, 2019, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the West Muskingum Local School District's, Muskingum County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



WEST MUSKINGUM LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2019**