



Dave Yost • Auditor of State



**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2014, 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 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 West Muskingum Local School District, Muskingum County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* 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 Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 Schedule 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 February 12, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2015

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**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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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, 2014. 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 2014 are as follows:

- Net position of governmental activities increased \$17,228,469.
- Capital assets decreased \$521,585 primarily due to current year depreciation which was offset by current year capital acquisitions.
- General revenues accounted for \$30,746,538 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$5,381,710, 15 percent of total revenues of \$36,128,248.
- The School District had \$18,899,779 in expenses related to governmental activities; only \$5,381,710 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$30,746,538 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 2014?" 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, 2014*

*Unaudited*

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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, debt service, and extracurricular activities.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Debt Service Fund, and the Classroom Facilities Capital Projects Fund.

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

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

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

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**Table 1 - Net Position**

	Governmental Activities		
	2014	2013	Change
<b>Assets</b>			
Current and Other Assets	\$34,127,246	\$18,103,878	\$16,023,368
Capital Assets	20,349,384	20,870,969	(521,585)
<b>Total Assets</b>	<b>54,476,630</b>	<b>38,974,847</b>	<b>15,501,783</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	783,885	830,594	(46,709)
<b>Liabilities</b>			
Long-Term Liabilities	22,048,058	22,981,719	(933,661)
Other Liabilities	2,238,199	1,851,681	386,518
<b>Total Liabilities</b>	<b>24,286,257</b>	<b>24,833,400</b>	<b>(547,143)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,986,659	6,212,911	(1,226,252)
<b>Net Position</b>			
Net Investment in Capital Assets	(162,984)	(591,447)	428,463
Restricted	21,949,757	3,793,650	18,156,107
Unrestricted	4,200,826	5,556,927	(1,356,101)
<b>Total Net Position</b>	<b>\$25,987,599</b>	<b>\$8,759,130</b>	<b>\$17,228,469</b>

The increase in current and other assets is primarily due to an increase in equity in pooled cash and cash equivalents in the amount of \$1,782,299, an increase in intergovernmental receivables in the amount of \$13,824,562, and an increase in property taxes receivable in the amount of \$400,211. The increase in cash and cash equivalents is primarily due to the increase in cash balances in the General Fund, Debt Service Fund, and in the Classroom Facilities Capital Projects Fund. The Classroom Facilities Capital Projects Fund received a grant award in the amount of \$14,598,522 which resulted in an increase in intergovernmental receivables. Approximately \$1.0 million of the grant award was received during fiscal year 2014 which contributed to the cash increase in the Classroom Facilities Capital Projects Fund. The grant award is discussed in more detail on page 9. The increase in property taxes receivable is primarily due to the voters approving a 5.9 mill emergency levy on May 7, 2013. Collections for the new emergency levy began in January 2014. Fiscal year 2015 will be the first year for a full year of collections. The \$521,585 decrease in capital assets is primarily due to current year depreciation in the amount of \$922,962 which was offset by capital asset additions in the amount of \$446,869. Capital asset deletions totaled \$45,492. Deferred outflows of resources (deferred charge on refunding) decreased in the amount of \$46,709 due to the amortization for fiscal year 2014.

The \$386,518 increase in other liabilities is primarily due to increases in accounts payable, accrued wages and benefits payable, contracts payable, intergovernmental, and claims payable. The School District added nine positions during fiscal year 2014 which resulted in an increase of accrued wages and benefits payable and intergovernmental payable. Contracts payable increased due to the Classroom Facilities program. The \$933,661 decrease in long-term liabilities is primarily due to the School District making \$805,000 in principal payments on outstanding bonds and \$64,638 in principal payments on the outstanding capital leases. Compensated absences decreased in the amount of \$24,864. Deferred inflows of resources for property taxes decreased in the amount of \$1,226,252 due to the change in the second half collection date by the Muskingum County Treasurer. The second half collection date was July 5, 2013 for the prior year and June 27, 2014 for the current year. Due to the earlier second half collection date, a larger amount was available to the School District as of fiscal year-end 2014 than in 2013. The increase in the amounts available were recognized as revenue for fiscal year 2014 rather than as deferred

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

inflows of resources for property taxes which resulted in increased property tax revenues for fiscal year 2014 compared to fiscal year 2013.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014, and comparisons to fiscal year 2013.

**Table 2 - Changes in Net Position**

<b>Revenues</b>	Governmental Activities		
	2014	2013	Change
Program Revenues			
Charges for Services	\$2,078,514	\$2,044,963	\$33,551
Operating Grants, Contributions, and Interest	3,303,196	3,395,732	(92,536)
	<u>5,381,710</u>	<u>5,440,695</u>	<u>(58,985)</u>
General Revenue			
Property Taxes	9,594,847	6,698,050	2,896,797
Payment in Lieu of Taxes	207,121	145,890	61,231
Grants and Entitlements	20,907,114	5,684,116	15,222,998
Unrestricted Contributions	0	1,605	(1,605)
Investment Earnings	9,581	11,297	(1,716)
Gain on Sale of Capital Asset	0	20,814	(20,814)
Miscellaneous Revenue	27,875	53,337	(25,462)
	<u>30,746,538</u>	<u>12,615,109</u>	<u>18,131,429</u>
Total Revenues	<u>36,128,248</u>	<u>18,055,804</u>	<u>18,072,444</u>
<b>Program Expenses</b>			
Instruction			
Regular	8,739,166	8,133,837	605,329
Special	2,441,056	2,070,817	370,239
Intergovernmental	10,769	11,018	(249)
Vocational	150,487	145,569	4,918
Student Intervention	41,701	93,207	(51,506)
Support Services			
Pupils	562,124	422,121	140,003
Instructional Staff	653,261	869,895	(216,634)
Board of Education	19,058	17,225	1,833
Administration	1,381,357	1,339,548	41,809
Fiscal	470,939	427,375	43,564
Operation and Maintenance of Plant	1,609,420	1,821,849	(212,429)
Pupil Transportation	1,120,722	1,084,591	36,131
Central	55,333	46,500	8,833
Operation of Non-Instructional Services			
Food Service Operations	809,691	804,317	5,374
Other	12,394	12,821	(427)
Extracurricular Activities	252,272	229,848	22,424
Interest and Fiscal Charges	570,029	875,693	(305,664)
Total Expenses	<u>18,899,779</u>	<u>18,406,231</u>	<u>493,548</u>
<i>Change in Net Position</i>	17,228,469	(350,427)	17,578,896
Net Position Beginning of Year	8,759,130	9,109,557	(350,427)
Net Position End of Year	<u>\$25,987,599</u>	<u>\$8,759,130</u>	<u>\$17,228,469</u>

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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The School District's net position increased \$17,228,469. Both revenues and expenses increased in fiscal year 2014. The increase in revenues was due to increases in general revenues in the amount of \$18,131,429. The increase in general revenues was the result of an increase in property taxes revenue in the amount of \$2,896,797 and an increase in grants and entitlements in the amount of \$15,222,998. Property taxes revenue increased due to the passage of a 5.9 mill emergency levy and due to the change in the property tax collection dates by the Muskingum County Treasurer as mentioned earlier. Due to the second half collection date of June 27, 2014, a larger amount was available as an advance to the School District as of fiscal year-end 2014 which resulted in the recognition of additional revenues. The second half collection date was July 5 in 2013. For fiscal year 2014, the amount available as an advance increased due to the earlier collection date. The increase in grants and entitlements was due primarily to the approval of the Ohio School Facilities Assistance Program in which the School District was awarded \$14,598,522 for the construction of a new elementary building.

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 will be built during phase two. Phase one construction costs were funded entirely by local monies. Phase two will be funded with the Ohio School Facilities Assistance Program grant which the School District as mentioned above. 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 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. 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 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 granted \$14,598,522 from the Ohio School Facilities Commission.

Overall expenses increased by 3 percent from fiscal year 2013 to fiscal year 2014. The increase in expenses was in the areas of regular and special instruction. Instructional programs comprise approximately 60 percent of total governmental program expenses. Of the instructional expenses, approximately 77 percent is for regular instruction, 21 percent for special instruction and intergovernmental, 1 percent for vocational instruction, and 1 percent for student intervention.

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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*Unaudited*

**Table 3 - Governmental Activities**

	2014 Total Cost of Services	2014 Net Cost of Services	2013 Total Cost of Services	2013 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,739,166	\$6,329,243	\$8,133,837	\$6,335,118
Special	2,441,056	999,375	2,070,817	214,223
Intergovernmental	10,769	0	11,018	0
Vocational	150,487	126,271	145,569	121,002
Student Intervention	41,701	41,701	93,207	89,936
Support Services:				
Pupils	562,124	502,239	422,121	393,363
Instructional Staff	653,261	372,427	869,895	378,835
Board of Education	19,058	19,058	17,225	17,225
Administration	1,381,357	1,276,479	1,339,548	1,241,444
Fiscal	470,939	274,005	427,375	219,923
Operation and Maintenance of Plant	1,609,420	1,578,210	1,821,849	1,761,406
Pupil Transportation	1,120,722	1,120,722	1,084,591	1,084,591
Central	55,333	49,096	46,500	39,300
Operation of Non-Instructional Services				
Food Service Operations	809,691	208,331	804,317	158,664
Other	12,394	9,400	12,821	5,106
Extracurricular Activities	252,272	41,483	229,848	29,707
Interest and Fiscal Charges	570,029	570,029	875,693	875,693
<b>Totals</b>	<u>\$18,899,779</u>	<u>\$13,518,069</u>	<u>\$18,406,231</u>	<u>\$12,965,536</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2014, 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 \$22,210,995, expenditures of \$18,732,784, and other financing sources and (uses) of \$3,392.

**General Fund**

The fund balance of the General Fund at June 30, 2014 is \$3,681,475, an increase of \$1,360,494 from fiscal year 2013. The increase is due to an increase in property taxes revenue due to passage of a five year 5.9 mill emergency levy on May 7, 2013 for which tax collections for this new levy began in January 2014. The General Fund transferred \$600,000 to the Classroom Facilities Capital Projects Fund for the Classroom Facilities Assistance Program for the construction of a new elementary building.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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***Other Governmental Major Funds***

***Debt Service Fund***

The fund balance of the Debt Service Fund at June 30, 2014 is \$3,383,565, an increase of \$453,347 from the prior year. The School District refunded portions of the 2003 general obligation bonds in fiscal year 2012 and again in fiscal year 2013. The refundings of debt has resulted in interest savings by the School District.

***Classroom Facilities Fund***

The fund balance of the Classroom Facilities Capital Projects Fund at June 30, 2014 is \$3,111,633. This is the first year for the Classroom Facilities Capital Projects Fund. The School District was awarded \$14,598,522 from the Ohio School Facilities Association Program for the construction of a new elementary school building. The local share of the project has been provided through transfers from General Fund in the amount of \$600,000 and transfers from the Permanent Improvement Capital Projects Fund in the amount of \$1,771,932.

***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 2014, the School District approved original appropriations in the amount of \$15,338,458. The original appropriations were increased and final appropriations were \$15,831,680. The increase from the original appropriations to the final appropriations was reflected primarily in the administration support services category. Administration expenses were consistent with the prior year. Final appropriations exceeded final expenditures by \$60,201.

The School District received \$573,173 more in revenues and other financing sources than was expected during fiscal year 2014. Budget basis revenues and other financing sources were \$14,797,081 for the original budgeted revenues and the final budgeted revenues.

The School District's ending General Fund budgetary balance was \$1,155,086.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the School District had \$20,349,384 invested in land, land improvements, construction in progress, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

**West Muskingum Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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

	Government Activities	
	2014	2013
Land and Land Improvements	\$1,326,229	\$1,404,235
Construction in Progress	287,100	13,685
Buildings and Improvements	18,216,822	18,914,466
Furniture and Equipment	227,506	265,814
Vehicles	291,727	272,769
<b>Totals</b>	<b>\$20,349,384</b>	<b>\$20,870,969</b>

See Note 7 for additional information regarding capital assets.

***Debt***

At June 30, 2014, the School District had \$19,969,217 outstanding in 2003 general obligation bonds, 2012 refunding bonds, and 2013 refunding bonds (including premiums, discounts, and capital appreciation bonds accretion), with \$780,000 being due within one year. The bonds were issued for school facilities construction and improvements. During fiscal year 2014, the School District made principal payments in the amount of \$805,000. All bonds will be fully repaid by fiscal year 2031. Capital leases outstanding at June 30, 2014 were \$1,485,694 with \$67,776 due in one year. See Note 14 for more detailed information of the School District's debt.

***Economic Factors***

The current state of the economy has forced the West Muskingum Local School District to closely monitor the five year forecast and to continue to seek ways to avoid deficit spending. The School District has been making budget cuts since 2005. The West Muskingum Board of Education was pleased that after eight consecutive operating levy defeats, a 5.9 mill, Five Year, Emergency Levy was placed on the ballot and approved by the voters on Election Day, May 7, 2013. The passage of the 5.9 mill, 5 year, emergency levy has allowed the West Muskingum Local School District a proactive opportunity to maintain current programs and services moving forward. For fiscal year 2014, revenues generated from the newly passed 5.9 mill emergency levy were for half a year since collections began in January, 2014. For the following four fiscal years, the levy will generate an estimated \$1,777,741 per year, less estimated delinquencies. In fiscal year 2019 the School District will receive an estimated final half year allocation of levy proceeds in the amount of \$888,871. Total levy proceeds the School District will receive over the five year period is estimated to be \$8,888,706.

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

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



**West Muskingum Local School District, Ohio**

*Statement of Net Position*

*June 30, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$10,148,119
Cash and Cash Equivalents in Segregated Accounts	477
Accounts Receivable	6,630
Intergovernmental Receivable	14,570,415
Prepaid Items	69,881
Inventory Held for Resale	22,298
Accrued Interest Receivable	2,153
Materials and Supplies Inventory	23,475
Property Taxes Receivable	9,050,716
Payment in Lieu of Taxes Receivable	183,020
Investments	50,062
Nondepreciable Capital Assets	940,123
Depreciable Capital Assets, Net	19,409,261
<i>Total Assets</i>	<u>54,476,630</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>783,885</u>
<b>Liabilities</b>	
Accounts Payable	128,904
Accrued Wages and Benefits	1,176,686
Contracts Payable	91,663
Accrued Interest Payable	38,397
Intergovernmental Payable	417,642
Claims Payable	384,907
Long-Term Liabilities:	
Due Within One Year	890,518
Due In More Than One Year	21,157,540
<i>Total Liabilities</i>	<u>24,286,257</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>4,986,659</u>
<b>Net Position</b>	
Net Investment in Capital Assets	(162,984)
Restricted for:	
Capital Projects	16,968,365
Debt Service	3,238,270
Straight A - Teacher, Student, and Technology Development	496,128
Classroom Facilities Maintenance	940,000
Other Purposes	306,994
Unrestricted	4,200,826
<i>Total Net Position</i>	<u><u>\$25,987,599</u></u>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,739,166	\$1,620,799	\$789,124	(\$6,329,243)
Special	2,441,056	44,286	1,397,395	(999,375)
Intergovernmental	10,769	0	10,769	0
Vocational	150,487	0	24,216	(126,271)
Student Intervention Services	41,701	0	0	(41,701)
Support Services:				
Pupils	562,124	0	59,885	(502,239)
Instructional Staff	653,261	0	280,834	(372,427)
Board of Education	19,058	0	0	(19,058)
Administration	1,381,357	44,622	60,256	(1,276,479)
Fiscal	470,939	0	196,934	(274,005)
Operation and Maintenance of Plant	1,609,420	0	31,210	(1,578,210)
Pupil Transportation	1,120,722	0	0	(1,120,722)
Central	55,333	0	6,237	(49,096)
Operation of Non-Instructional Services:				
Services:				
Food Service Operations	809,691	214,191	387,169	(208,331)
Other Non-Instructional Services	12,394	0	2,994	(9,400)
Extracurricular Activities	252,272	154,616	56,173	(41,483)
Interest and Fiscal Charges	570,029	0	0	(570,029)
<b>Totals</b>	<b>\$18,899,779</b>	<b>\$2,078,514</b>	<b>\$3,303,196</b>	<b>(13,518,069)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	8,066,039
Debt Service	1,528,808
Payment in Lieu of Taxes	207,121
Grants and Entitlements not Restricted	6,308,592
Grants and Entitlements for School Construction	14,598,522
Investment Earnings	9,581
Miscellaneous	27,875
<b>Total General Revenues</b>	<b>30,746,538</b>
<b>Change in Net Position</b>	<b>17,228,469</b>
<b>Net Position Beginning of Year</b>	<b>8,759,130</b>
<b>Net Position End of Year</b>	<b>\$25,987,599</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,707,081	\$2,804,501	\$3,203,296	\$1,851,162	\$9,566,040
Cash and Cash Equivalents in Segregated Accounts	0	0	0	477	477
Accounts Receivable	6,594	0	0	36	6,630
Payment in Lieu of Taxes Receivable	0	2,042	0	180,978	183,020
Interfund Receivable	52,315	0	0	0	52,315
Intergovernmental Receivable	30,172	0	13,572,070	968,173	14,570,415
Accrued Interest Receivable	2,100	0	0	0	2,100
Prepaid Items	69,881	0	0	0	69,881
Inventory Held for Resale	0	0	0	22,298	22,298
Materials and Supplies Inventory	21,314	0	0	2,161	23,475
Property Taxes Receivable	7,689,380	1,361,336	0	0	9,050,716
<b>Total Assets</b>	<b>\$9,578,837</b>	<b>\$4,167,879</b>	<b>\$16,775,366</b>	<b>\$3,025,285</b>	<b>\$33,547,367</b>
<b>Liabilities</b>					
Accounts Payable	\$89,609	\$0	\$0	\$39,295	\$128,904
Accrued Wages and Benefits	911,292	0	0	162,878	1,074,170
Matured Compensated Absences	0	0	0	0	0
Contracts Payable	0	0	91,663	0	91,663
Retainage Payable	0	0	0	0	0
Interfund Payable	0	0	0	52,315	52,315
Intergovernmental Payable	345,562	0	0	72,080	417,642
<b>Total Liabilities</b>	<b>1,346,463</b>	<b>0</b>	<b>91,663</b>	<b>326,568</b>	<b>1,764,694</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	4,254,105	732,554	0	0	4,986,659
Unavailable Revenues	296,794	51,760	13,572,070	886,305	14,806,929
<b>Total Deferred Inflows of Resources</b>	<b>4,550,899</b>	<b>784,314</b>	<b>13,572,070</b>	<b>886,305</b>	<b>19,793,588</b>
<b>Fund Balances</b>					
Nonspendable	91,195	0	0	2,161	93,356
Restricted	0	3,383,565	3,111,633	1,238,643	7,733,841
Committed	127,054	0	0	45,090	172,144
Assigned	3,421,164	0	0	533,094	3,954,258
Unassigned (Deficit)	42,062	0	0	(6,576)	35,486
<b>Total Fund Balances</b>	<b>3,681,475</b>	<b>3,383,565</b>	<b>3,111,633</b>	<b>1,812,412</b>	<b>11,989,085</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$9,578,837</b>	<b>\$4,167,879</b>	<b>\$16,775,366</b>	<b>\$3,025,285</b>	<b>\$33,547,367</b>

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**  
*Reconciliation of Total Governmental Funds Balances to  
 Net Position of Governmental Activities  
 June 30, 2014*

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**Total Governmental Fund Balances** \$11,989,085

*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. 20,349,384

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	317,832	
Payment in Lieu of Taxes Receivable	183,020	
Accrued Interest Receivable	613	
Intergovernmental Receivable	<u>14,305,464</u>	14,806,929

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. 144,771

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (38,397)

Deferred outflows of resources represent deferred charges on refundings which are not reported in the funds. 783,885

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

Bonds Payable	(18,658,905)	
Bond Premium	(1,234,110)	
Bond Discount	82,456	
Capital Appreciation Bonds Accretion	(158,658)	
Capital Leases Payable	(1,485,694)	
Compensated Absences	<u>(593,147)</u>	
Total Long-Term Liabilities		<u>(22,048,058)</u>

Net Position of Governmental Activities \$25,987,599

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, 2014

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$8,152,110	\$1,577,650	\$0	\$0	\$9,729,760
Payment in Lieu of Taxes	0	2,042	0	180,978	183,020
Intergovernmental	6,890,523	196,448	1,026,452	2,005,039	10,118,462
Interest	7,444	74	349	133	8,000
Tuition and Fees	1,665,085	0	0	0	1,665,085
Extracurricular Activities	44,622	0	0	154,616	199,238
Charges for Services	0	0	0	214,191	214,191
Contributions and Donations	500	0	0	64,864	65,364
Miscellaneous	27,875	0	0	0	27,875
<b>Total Revenues</b>	<b>16,788,159</b>	<b>1,776,214</b>	<b>1,026,801</b>	<b>2,619,821</b>	<b>22,210,995</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,722,099	0	0	353,648	8,075,747
Special	1,378,997	0	0	886,513	2,265,510
Vocational	112,073	0	0	0	112,073
Student Intervention Services	37,329	0	0	0	37,329
Support Services:					
Pupils	471,411	0	0	60,252	531,663
Instructional Staff	282,886	0	0	333,334	616,220
Board of Education	19,058	0	0	0	19,058
Administration	1,242,429	0	0	31,832	1,274,261
Fiscal	425,573	31,207	0	611	457,391
Operation and Maintenance of Plant	1,562,840	0	0	0	1,562,840
Pupil Transportation	981,843	0	0	83,050	1,064,893
Central	48,789	0	0	11,871	60,660
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	695,182	695,182
Other Non-Instructional Services	9,726	0	0	2,668	12,394
Extracurricular Activities	7,577	0	0	208,134	215,711
Intergovernmental	0	0	0	10,769	10,769
Capital Outlay	0	0	287,100	0	287,100
Debt Service:					
Principal Retirement	64,638	805,000	0	0	869,638
Interest and Fiscal Charges	77,685	486,660	0	0	564,345
<b>Total Expenditures</b>	<b>14,444,953</b>	<b>1,322,867</b>	<b>287,100</b>	<b>2,677,864</b>	<b>18,732,784</b>
Excess of Revenues Over (Under) Expenditures:	2,343,206	453,347	739,701	(58,043)	3,478,211
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	2,288	0	0	1,104	3,392
Transfers In	0	0	2,371,932	1,085,000	3,456,932
Transfers Out	(985,000)	0	0	(2,471,932)	(3,456,932)
<b>Total Other Financing Sources (Uses)</b>	<b>(982,712)</b>	<b>0</b>	<b>2,371,932</b>	<b>(1,385,828)</b>	<b>3,392</b>
Net Change in Fund Balances	1,360,494	453,347	3,111,633	(1,443,871)	3,481,603
Fund Balances Beginning of Year	2,320,981	2,930,218	0	3,256,283	8,507,482
Fund Balances End of Year	<u>\$3,681,475</u>	<u>\$3,383,565</u>	<u>\$3,111,633</u>	<u>\$1,812,412</u>	<u>\$11,989,085</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, 2014*

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Net Change in Fund Balances - Total Governmental Funds \$3,481,603

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

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

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

Capital Assets Additions	446,869	
Current Year Depreciation	<u>(922,962)</u>	(476,093)

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	(3,392)	
Loss on the Sale of Capital Assets	<u>(42,100)</u>	(45,492)

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

Property Taxes	(134,913)	
Payment in Lieu of Taxes	24,101	
Intergovernmental	14,026,377	
Interest	<u>(225)</u>	13,915,340

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		24,864
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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	145,017	
Discount Amortization	(6,935)	
Accretion of the Capital Appreciation Bonds	(98,923)	
Accrued Interest Payable	<u>1,866</u>	41,025

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

869,638

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

(46,709)

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

(535,707)

Change in Net Position of Governmental Activities

\$17,228,469

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$6,617,103	\$6,617,103	\$6,544,762	(\$72,341)
Intergovernmental	6,617,578	6,617,578	7,116,568	498,990
Interest	17,000	17,000	10,466	(6,534)
Tuition and Fees	1,527,900	1,527,900	1,667,953	140,053
Rent	1,000	1,000	0	(1,000)
Gifts and Donations	0	0	500	500
Miscellaneous	14,000	14,000	27,717	13,717
<i>Total Revenues</i>	14,794,581	14,794,581	15,367,966	573,385
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,253,187	7,626,388	7,658,283	(31,895)
Special	1,648,487	1,396,191	1,382,324	13,867
Vocational	111,283	122,373	135,107	(12,734)
Student Intervention Services	72,286	43,622	43,622	0
Support Services:				
Pupils	388,556	485,118	505,692	(20,574)
Instructional Staff	300,518	361,042	296,915	64,127
Board of Education	11,465	15,965	30,698	(14,733)
Administration	685,732	1,310,480	1,213,580	96,900
Fiscal	483,272	408,366	446,107	(37,741)
Operation and Maintenance of Plant	1,596,584	1,877,362	1,763,785	113,577
Pupil Transportation	1,023,819	1,125,625	1,109,657	15,968
Central	5,312	58,559	48,797	9,762
Non-Instructional Services	0	0	11,671	(11,671)
Extracurricular Activities	0	0	17,284	(17,284)
Debt Service:				
Principal Retirement	51,000	51,000	51,000	0
Interest and Fiscal Charges	71,957	71,957	71,957	0
<i>Total Expenditures</i>	14,703,458	14,954,048	14,786,479	167,569
<i>Excess of Revenues Over (Under) Expenditures</i>	91,123	(159,467)	581,487	740,954
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	2,500	2,500	2,288	(212)
Transfers Out	(635,000)	(877,632)	(985,000)	(107,368)
<i>Total Other Financing Sources (Uses)</i>	(632,500)	(875,132)	(982,712)	(107,580)
<i>Net Change in Fund Balance</i>	(541,377)	(1,034,599)	(401,225)	633,374
<i>Fund Balance Beginning of Year</i>	1,204,235	1,204,235	1,204,235	0
Prior Year Encumbrances Appropriated	352,076	352,076	352,076	0
<i>Fund Balance End of Year</i>	\$1,014,934	\$521,712	\$1,155,086	\$633,374

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2014*

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	Self- Insurance
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$582,079
Investments	50,062
Accrued Interest Receivable	53
<i>Total Assets</i>	<u>632,194</u>
<b>Current Liabilities</b>	
Unearned Revenue	102,516
Claims Payable	384,907
<i>Total Liabilities</i>	<u>487,423</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$144,771</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, 2014*

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	<u>Self- Insurance</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$1,779,810</u>
<b>Operating Expenses</b>	
Salaries	3,000
Fringe Benefits	420
Purchased Services	436,863
Claims	<u>1,877,147</u>
<i>Total Operating Expenses</i>	<u>2,317,430</u>
 <i>Operating Loss</i>	 (537,620)
 <b>Non-Operating Revenues</b>	
Interest Income	<u>1,913</u>
 <i>Change in Net Position</i>	 (535,707)
 <i>Net Position at Beginning of Year</i>	 <u>680,478</u>
 <i>Net Position at End of Year</i>	 <u><u>\$144,771</u></u>

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, 2014*

	<u>Self- Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$1,789,468
Cash Payments for Employee Services and Benefits	(3,420)
Cash Payments to Suppliers for Services	(436,863)
Cash Payments for Claims	(1,763,149)
<i>Net Cash Used for Operating Activities</i>	(413,964)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	2,026
<i>Net Decrease in Cash and Cash Equivalents</i>	(411,938)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,044,079
<i>Cash and Cash Equivalents End of Year</i>	\$632,141
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$537,620)
<b>Changes in Assets and Liabilities</b>	
Increase in Unearned Revenue	9,658
Increase in Claims Payable	113,998
<i>Net Cash Used for Operating Activities</i>	(\$413,964)

See accompanying notes to the basic financial statements

**West Muskingum Local School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2014*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$72,870
Cash and Cash Equivalents in Segregated Accounts	<u>26,688</u>
<i>Total Assets</i>	<u><u>\$99,558</u></u>
 <b>Liabilities</b>	
Due to Students	\$72,870
Intergovernmental Payable	<u>26,688</u>
<i>Total Liabilities</i>	<u><u>\$99,558</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, 2014*

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

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

The School District is staffed by 77 classified employees, 104 certificated full-time teaching personnel, and 13 administrative employees who provide services to 1,568 students and other community members. The School District currently operates four instructional buildings and one administrative building.

*Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, 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 five 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 Council, the Coalition of Rural and Appalachian Schools, the Educational Regional Service System Region 12, the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program, and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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

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

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

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

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

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

**C. Measurement Focus**

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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 include 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.



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

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

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

During fiscal year 2014, investments were limited to federal agency securities.

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 2014 amounted to \$7,444, which includes \$5,034 assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**G. Inventory**

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

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

**J. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. See Note 19 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, 2014*

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***K. Compensated Absences***

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made. There are no matured compensated absences payable in the governmental fund financial statements for 2014.

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

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

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

***M. Internal Activity***

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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***N. Fund Balance***

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. 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 2014'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.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

***O. Net Position***

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

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

During fiscal year 2014, the School District had negative net investment in capital assets due to the large premiums associated with the partial refunding of the 2003 school facilities construction and improvement general obligation bonds in fiscal years 2012 and 2013.

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

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

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

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

***R. Estimates***

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

***S. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level.

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

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

***T. 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.

***U. Deferred Charge on Refunding***

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

**Note 3 - 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).

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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3. Unrecorded cash, prepaid items, and fair value adjustments for investments are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
4. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
5. Budgetary revenues and expenditures of the Public School Support Fund is reclassified to the General Fund for GAAP Reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$1,360,494
Net Adjustment for Revenue Accruals	(1,384,505)
Net Adjustment for Expenditure Accruals	191,727
Beginning of Fiscal Year:	
Prepaid Items	70,100
Fair Value Adjustment for Investments	2,955
End of Fiscal Year:	
Prepaid Items	(69,881)
Fair Value Adjustment for Investments	5,979
To reclassify excess of revenues and other sources of financial resources under expenditures and other uses of financial resources into financial statement fund types	7,626
Adjustment for Encumbrances	<u>(585,720)</u>
Budget Basis	<u><u>(\$401,225)</u></u>

**Note 4 - Deposits and Investments**

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

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

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

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

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

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*Notes to the Basic Financial Statements*

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

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

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,243,871 of the School District's bank balance of \$9,601,135 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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



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*Notes to the Basic Financial Statements*

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**Investments** As of June 30, 2014, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Bonds	\$249,610	11/21/2016
Federal National Mortgage Association Notes	50,062	10/30/2017
Federal Farm Credit Bank Bonds	249,053	1/30/2018
Federal National Mortgage Association Notes	198,944	2/21/2018
Federal National Mortgage Association Bonds	255,707	4/30/2018
Total	<u>\$1,003,376</u>	

**Interest Rate Risk**

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

**Credit Risk**

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

**Concentration of Credit Risk**

Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2014:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Farm Credit Bank Bonds	49.70
Federal National Mortgage Association Notes	24.82
Federal National Mortgage Association Bonds	25.48

**Note 5 - 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Muskingum and Licking Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 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, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014, was \$3,746,225, \$3,167,161 was available to the General Fund and \$579,064 was available to the Debt Service Fund. The amount available as an advance at June 30, 2013, was \$1,984,849, \$1,559,813 was available to the General Fund and \$425,036 was available to the Debt Service Fund. During fiscal year 2014, Muskingum County changed their second half collection date to a June 27 collection date. During fiscal year 2013, the collection date was July 5<sup>th</sup>.

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 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$290,583,820	96.44%	\$289,545,350	96.22%
Public Utility Personal	10,724,910	3.56%	11,382,710	3.78%
Total	<u>\$301,308,730</u>	<u>100.00%</u>	<u>\$300,928,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.80		\$48.80	

On May 7, 2013, voters approved a five year 5.9 mill emergency levy. Collections began in January, 2014. The increase in the tax was offset by a .9 mills reduction in the bond millage to reflect the amount of collections necessary for debt service retirement.

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*Notes to the Basic Financial Statements*

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**Note 6 - Receivables**

Receivables at June 30, 2014, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes and payment in lieu of taxes are expected to be received within one year.

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

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Title I Grant	\$132,445
Straight A Grant	496,128
Race to the Top Grant	133,870
Title II-A Grant	66,035
Title VI-B Special Education Grant	63,922
E-Rate Reimbursement	28,413
Public Preschool Grant	28,178
Ohio Teacher Incentive Grant	47,595
Medicaid Reimbursement	1,759
Ohio School Facilities Commission Program	<u>13,572,070</u>
Total	<u>\$14,570,415</u>

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

finance infrastructure improvements and will continue over ten to thirty years. Based upon the provisions of the agreement, the payments in lieu of taxes include scheduled increases over the thirty year period of the school compensation agreement.

**Note 7 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Nondepreciable Capital Assets</b>				
Land	\$237,184	\$0	\$0	\$237,184
Land Improvements	415,839	0	0	415,839
Construction in Progress	13,685	297,220	(23,805)	287,100
Total Non-Depreciable Capital Assets	<u>666,708</u>	<u>297,220</u>	<u>(23,805)</u>	<u>940,123</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,640,461	23,805	0	1,664,266
Building and Improvements	27,160,255	0	(133,801)	27,026,454
Furniture and Equipment	2,498,910	43,058	0	2,541,968
Vehicles	1,374,608	106,591	0	1,481,199
Total at Historical Cost	<u>32,674,234</u>	<u>173,454</u>	<u>(133,801)</u>	<u>32,713,887</u>
Less Accumulated Depreciation				
Land Improvements	(889,249)	(101,811)	0	(991,060)
Buildings and Improvements	(8,245,789)	(652,152)	88,309	(8,809,632)
Furniture and Equipment	(2,233,096)	(81,366)	0	(2,314,462)
Vehicles	(1,101,839)	(87,633)	0	(1,189,472)
Total Accumulated Depreciation	<u>(12,469,973)</u>	<u>(922,962) *</u>	<u>88,309</u>	<u>(13,304,626)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>20,204,261</u>	<u>(749,508)</u>	<u>(45,492)</u>	<u>19,409,261</u>
Governmental Activities Capital Assets, Net	<u>\$20,870,969</u>	<u>(\$452,288)</u>	<u>(\$69,297)</u>	<u>\$20,349,384</u>

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

Instruction:	
Regular	\$423,538
Special	83,916
Vocational	31,840
Support Services:	
Pupils	14,213
Instructional Staff	48,286
Administration	61,465
Operation of Maintenance and Plant	72,423
Pupil Transportation	82,529
Extracurricular	36,561
Food Service Operations	68,191
Total Depreciation Expense	<u>\$922,962</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**Note 8 – Interfund Transactions**

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	\$52,315	\$0
Other Nonmajor Governmental Funds:		
Race to the Top Grant	0	37,061
Title VI-R	0	15,254
Total Other Nonmajor Governmental Funds	<u>0</u>	<u>52,315</u>
Total All Funds	<u><u>\$52,315</u></u>	<u><u>\$52,315</u></u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Fund:		
General Fund	\$0	\$985,000
Classroom Facilities	2,371,932	0
Total Major Funds	<u>2,371,932</u>	<u>985,000</u>
Other Nonmajor Governmental Funds:		
Classroom Facilities Maintenance	700,000	0
Permanent Improvement	350,000	2,471,932
Technology	35,000	0
Total Other Nonmajor Governmental Funds	<u>1,085,000</u>	<u>2,471,932</u>
Total All Funds	<u><u>\$3,456,932</u></u>	<u><u>\$3,456,932</u></u>

During fiscal year 2014, the General Fund transferred \$350,000 to the Permanent Improvement Capital Projects Fund for future improvement expenditures. The General Fund also transferred \$35,000 to the Technology Capital Projects Fund for the purchase of technological equipment. During fiscal year 2014, the School District was approved for a Classroom Facilities Assistance Program for a new elementary building under the Expedited Local Partnership Program of the Ohio School Facilities Association Program. The School District was approved by the Classroom Facilities Assistance Program to fund the remaining local share of the project in the amount of \$2,371,932 through fund transfers to the Classroom Facilities Capital Projects Fund from the following funds: General Fund transferred \$600,000 and Permanent Improvement Capital Projects Fund transferred \$1,771,932. The School District was also approved to fund the Classroom Facilities Maintenance Special Revenue Fund for twenty-three consecutive years through a one-time transfer from the Permanent Improvement Fund in the amount of \$700,000 and through annual allocations of funding from existing tax increment finance revenues to the Classroom Facilities Maintenance Special Revenue Fund so that a levy would not have to be passed by local taxpayers.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**Note 9 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, 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 16)

The types and amounts of coverage are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$52,207,753
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 deductible)	1,000,000
Automobile Liability (\$500 deductible)	2,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$500 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Educational General Liability (no deductible)	
Per occurrence – Bodily Injury, Property Damage, Sexual Abuse Injury, and Personal and Advertising Injury	2,000,000
General Aggregate Per Year	4,000,000
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 2014.

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

The School District participates in the workers' compensation program provided by the State of Ohio. The School District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 16). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive 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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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retrospective premium is higher, an assessment will be charged to each participant.

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

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

**C. Employee Medical Benefits**

Medical/surgical and dental insurance is offered to employees through a Self-Insurance Internal Service Fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$384,907 reported in the Internal Service Fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$50,000 annually.

Changes in the fund's claims liability amount in fiscal years 2013 and 2014 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2013	\$233,827	\$1,497,878	\$1,460,796	\$270,909
2014	270,909	1,877,147	1,763,149	384,907

**Note 10 - Employee Benefits**

**A. Compensated Absences**

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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***B. Insurance***

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

***C. Retirement Incentive***

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

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

At June 30, 2014, no retirement incentives were accrued as a liability.

**Note 11 - Defined Benefit Pension Plans**

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$223,338, \$225,593, and \$230,587, respectively. For fiscal year 2014, 85.58 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$664,739 and \$18,808 for the fiscal year ended June 30, 2014, \$777,935 and \$22,389 for the fiscal year ended June 30, 2013, and \$697,299 and \$13,571 for the fiscal year ended June 30, 2012. For fiscal year 2014, 89.66 percent has been contributed for the DB plan and 89.66 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$2,066 made by the School District and \$1,623 made by the plan members. In addition, member contributions of \$14,777 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, three members of the Board of Education elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 12 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$28,831 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$31,297, \$30,275, and \$32,381, respectively. For fiscal year 2014, 6.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$13,017, \$12,635, and \$13,473 respectively. For fiscal year 2014, 85.58 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$52,739, \$61,732, and \$55,772 respectively. For fiscal year 2014, 89.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

**Note 13 - Capitalized Leases**

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

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

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

The accumulated depreciation on the building and equipment as of June 30, 2014, was \$338,850. Principal payments in fiscal year 2014 totaled \$64,638 in the governmental funds.

The following is a schedule of capital assets acquired through capital leases at June 30, 2014 for governmental funds:

Capitalized Leased Assets	Present Value of Future Minimum Lease Payments	Less Accumulated Depreciation 6/30/2014	Net of Accumulated Depreciation
<b><u>Governmental Activities:</u></b>			
Building	\$1,800,000	\$315,000	\$1,485,000
Equipment	79,500	23,850	55,650
Total Governmental Activities	<u>\$1,879,500</u>	<u>\$338,850</u>	<u>\$1,540,650</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

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The agreements provide for minimum annual rental payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>OASBO Expanded Asset Pooled Financing Program</u>	<u>Equipment</u>	<u>Total</u>
2015	\$117,488	\$19,366	\$136,854
2016	117,084	19,466	136,550
2017	117,590	19,366	136,956
2018	116,960	16,139	133,099
2019	117,239	0	117,239
2020-2024	586,616	0	586,616
2025-2029	586,050	0	586,050
2030-2032	351,614	0	351,614
Total Minimum Lease Payments	2,110,641	74,337	2,184,978
Less: Amount Representing Interest	(688,641)	(10,643)	(699,284)
Present Value of Minimum Lease Payments	<u>\$1,422,000</u>	<u>\$63,694</u>	<u>1,485,694</u>

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

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**Note 14 - Long Term Obligations**

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

	Principal Outstanding 6/30/2013	Additions	Reductions	Principal Outstanding 6/30/2014	Amounts Due in One Year
<b>Governmental Activities</b>					
<i>School Facilities Construction and Improvement General Obligation Bonds 2003</i>					
Serial Bonds - \$4,735,000 2.00%-3.60%	\$515,000	\$0	\$515,000	\$0	\$0
Serial/Term Bonds Bond Premium	10,963	0	10,963	0	0
Serial/Term Bond Discount	(2,011)	0	(2,011)	0	0
<i>School Facilities Construction and Improvement Refunding Bonds 2012</i>					
Serial Bonds - \$6,105,000 1.50%-3.125%	6,030,000	0	115,000	5,915,000	440,000
Term Bonds - \$1,735,000 3.00%	1,735,000	0	0	1,735,000	0
Capital Appreciation Bonds - \$159,593 2.15%-2.37%	159,593	0	0	159,593	0
Capital Appreciation Bonds Accretion	48,612	59,301	0	107,913	0
Serial Bond Premium	77,663	0	4,315	73,348	0
Capital Appreciation Bonds Premium	554,400	0	79,200	475,200	0
Serial/Term Bond Discount	(43,362)	0	(2,409)	(40,953)	0
<i>School Facilities Construction and Improvement Refunding Bonds 2013</i>					
Serial Bonds - \$9,795,000 2.00%-3.00%	9,795,000	0	175,000	9,620,000	340,000
Term Bonds - \$1,170,000 3.00%	1,170,000	0	0	1,170,000	0
Capital Appreciation Bonds - \$59,312	59,312	0	0	59,312	0
Capital Appreciation Bonds Accretion	11,123	39,622	0	50,745	0
Serial Bond Premium	218,646	0	20,970	197,676	0
Capital Appreciation Bonds Premium	517,455	0	29,569	487,886	0
Serial/Term Bond Discount	(44,018)	0	(2,515)	(41,503)	0
<b>Total General Obligation Bonds</b>	<b>20,813,376</b>	<b>98,923</b>	<b>943,082</b>	<b>19,969,217</b>	<b>780,000</b>
<i>Capital Leases</i>	1,550,332	0	64,638	1,485,694	67,776
<i>Compensated Absences Payable</i>	618,011	75,497	100,361	593,147	42,742
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$22,981,719</b>	<b>\$174,420</b>	<b>\$1,108,081</b>	<b>\$22,048,058</b>	<b>\$890,518</b>

On March 10, 2003, the School District issued \$23,950,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amounts of \$4,735,000 and \$19,215,000, respectively. The bonds will be retired from the Debt Service

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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Fund. The serial and a portion of the term bonds were sold at a premium of \$520,765, with a portion of the term bonds being sold at a discount of \$95,523. Issuance costs associated with the bond issue were \$274,552. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030. During fiscal year 2012, School District advance refunded \$325,000 in serial bonds and \$7,675,000 in term bonds for a total of \$8,000,000. During fiscal year 2013, School District advanced refunded an additional \$230,000 in serial bonds and \$10,800,000 in term bonds for a total of \$11,030,000. The advance refunded portions of the bonds were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the Debt Service Fund using tax revenues. The original bonds were issued for a twenty-eight year period with a final maturity at December 1, 2030, and after the advance refunding the remaining bonds continue to have a final maturity at December 1, 2030. During fiscal year 2014, the remaining portion of the 2003 long-term general obligation bonds matured and were paid in full.

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 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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
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.

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

Principal and interest requirements to retire the 2012 refunding bonds outstanding at June 30, 2014, are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2015	\$440,000	\$192,325	\$0	\$0	\$632,325
2016	445,000	185,688	0	0	630,688
2017	445,000	179,013	0	0	624,013
2018	455,000	172,263	0	0	627,263
2019	0	168,850	0	0	168,850
2020-2024	1,925,000	744,503	159,593	770,407	3,599,503
2025-2029	2,730,000	394,100	0	0	3,124,100
2030-2031	1,210,000	37,753	0	0	1,247,753
Totals	<u>\$7,650,000</u>	<u>\$2,074,495</u>	<u>\$159,593</u>	<u>\$770,407</u>	<u>\$10,654,495</u>

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

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

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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Principal and interest requirements to retire the 2013 refunding bonds outstanding at June 30, 2014, are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2015	\$340,000	\$277,373	\$0	\$0	\$617,373
2016	380,000	272,375	0	0	652,375
2017	325,000	267,089	15,060	69,940	677,089
2018	360,000	261,330	10,205	79,795	711,330
2019	275,000	255,203	15,239	194,761	740,203
2020-2024	2,620,000	1,143,196	18,808	386,192	4,168,196
2025-2029	4,300,000	661,088	0	0	4,961,088
2030-2031	2,190,000	66,750	0	0	2,256,750
Totals	<u>\$10,790,000</u>	<u>\$3,204,404</u>	<u>\$59,312</u>	<u>\$730,688</u>	<u>\$14,784,404</u>

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

The School District's overall legal debt margin at June 30, 2014, was \$11,808,185, with an unvoted debt margin of \$300,928.

**Note 15- Jointly Governed Organizations**

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

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

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2014 were \$104,618. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 145 North Quentin Road, Newark, OH 43055.

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

The Mid-East Career and Technology Center is a jointly governed organization providing vocational education services to its fourteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting, and designating management. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2014, the School District made no contributions to the Center. To obtain



**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

***C. Metropolitan Educational Council***

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 280 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 57 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The School District participates in the insurance purchasing pool. The governing board of MEC is composed of a school administrator, a designated representative or a member of the board of education for each participating school district in Franklin County, and one representative from each county outside Franklin County. The governing board exercises total control over the operations of MEC including budgeting, appropriating, contracting, and designating management. MEC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for MEC. Financial statements for MEC can be obtained from the Metropolitan Educational Council, at 2100 Citygate Drive, Columbus, Ohio 43219. The School District made membership payments to MEC in fiscal year 2014 in the amount of \$665.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members, one elected and one appointed member from each of the seven regions into which the 35 Appalachian counties are divided, and three from Ohio University College of Education. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member school districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2014, the School District's paid \$325 to the Coalition for membership fees and \$90 for professional development.

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

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**Note 16 - Insurance Purchasing Pools**

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

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

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. During fiscal year 2014, the School District paid \$1,850 in enrollment fees to the Program.

***B. Ohio School Plan***

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**Note 17 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

As of June 30, 2014, the School District had no pending litigation.

**Note 18 – Significant Commitments**

**A. Encumbrances**

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

Governmental Funds:	
General Fund	\$ 585,720
Classroom Facilities	1,251,160
Nonmajor Governmental Funds	596,380
Total	<u><u>\$2,433,260</u></u>

**B. Contractual Commitments**

<u>Vendor</u>	<u>Original Contract</u>	<u>Paid to Date</u>	<u>Amount Remaining</u>
Fanning/Howey Associates, Inc.	\$1,301,443	\$277,033	\$1,024,410
Osborn Engineering	49,298	2,366	46,932
Total	<u><u>\$1,350,741</u></u>	<u><u>\$279,399</u></u>	<u><u>\$1,071,342</u></u>

**Note 19 - Set Asides**

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

	<u>Capital Improvements Reserve</u>
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	256,864
Current Year Offsets	(2,403,516)
Qualifying Disbursements	<u>(57,035)</u>
Total	<u><u>(\$2,203,687)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

**Note 20 – Accountability**

The following fund had a deficit fund balance as of June 30, 2014:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Fund:</u>	
Title II-A	(\$6,576)

The deficit in the special revenue fund was 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 21 – Fund Balances**

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

**West Muskingum Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

Fund Balances	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$69,881	\$0	\$0	\$0	\$69,881
Materials and Supplies Inventory	21,314	0	0	2,161	23,475
<i>Total Nonspendable</i>	<u>91,195</u>	<u>0</u>	<u>0</u>	<u>2,161</u>	<u>93,356</u>
<u>Restricted for:</u>					
Food Service Operations	0	0	0	87,570	87,570
Athletics and Music	0	0	0	21,148	21,148
Federal Grant Expenditures	0	0	0	18,512	18,512
Local Grant Expenditures	0	0	0	6,751	6,751
Debt Service Payments	0	3,383,565	0	0	3,383,565
Capital Improvements	0	0	3,111,633	1,104,662	4,216,295
<i>Total Restricted</i>	<u>0</u>	<u>3,383,565</u>	<u>3,111,633</u>	<u>1,238,643</u>	<u>7,733,841</u>
<u>Committed to:</u>					
Scholarships	0	0	0	7,047	7,047
Capital Projects	0	0	0	38,043	38,043
Purchases on Order	127,054	0	0	0	127,054
<i>Total Committed</i>	<u>127,054</u>	<u>0</u>	<u>0</u>	<u>45,090</u>	<u>172,144</u>
<u>Assigned to:</u>					
Capital Improvements	0	0	0	533,094	533,094
Public School Support	23,478	0	0	0	23,478
Assigned to Subsequent Year's Appropriations	3,025,074	0	0	0	3,025,074
Purchases on Order	372,612	0	0	0	372,612
<i>Total Assigned</i>	<u>3,421,164</u>	<u>0</u>	<u>0</u>	<u>533,094</u>	<u>3,954,258</u>
Unassigned	42,062	0	0	(6,576)	35,486
<i>Total Fund Balances</i>	<u><u>\$3,681,475</u></u>	<u><u>\$3,383,565</u></u>	<u><u>\$3,111,633</u></u>	<u><u>\$1,812,412</u></u>	<u><u>\$11,989,085</u></u>

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**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2013/2014	10.553	\$ 2,087	\$ 2,087
National School Lunch Program	2013/2014	10.555	39,649	39,649
Non-Cash Assistance (Food Distribution) Subtotal			<u>41,736</u>	<u>41,736</u>
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	61,118	61,118
National School Lunch Program	2013/2014	10.555	285,916	285,916
Cash Assistance Subtotal			<u>347,034</u>	<u>347,034</u>
Total Child Nutrition Cluster			<u>388,770</u>	<u>388,770</u>
Total U.S. Department of Agriculture			388,770	388,770
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
	2013	84.010	110,327	114,807
	2014		462,485	462,485
Total Title I Grants to Local Educational Agencies			<u>572,812</u>	<u>577,292</u>
Special Education Grants to States	2013	84.027	37,861	37,861
	2014		258,394	258,394
Total Special Education Grants to States			<u>296,255</u>	<u>296,255</u>
Rural Education	2014	84.358	23,731	23,731
Improving Teacher Quality State Grants	2013	84.367	11,100	11,630
	2014		98,625	98,625
Total Improving Teacher Quality State Grants			<u>109,725</u>	<u>110,255</u>
Teacher Incentive Fund Cluster:				
Teacher Incentive Fund	2013	84.374	8,413	8,917
Teacher Incentive Fund	2014		201,132	203,065
Assessment Literacy	2014		10,366	23,337
Teacher Incentive Fund Supplement	2014		4,779	0
Total Teacher Incentive Fund			<u>224,690</u>	<u>235,319</u>
ARRA - Teacher Incentive Fund, Recovery Act				
Assessment Literacy	2013	84.385	2,441	20,641
Ohio Teacher Incentive Fund Supplement	2014		15,752	15,752
Total ARRA - Teacher Incentive Fund, Recovery Act			<u>18,193</u>	<u>36,393</u>
Total Teacher Incentive Fund Cluster			242,883	271,712
ARRA - Race to the Top, Recovery Act:				
Race to the Top Incentives Grant	2013	84.395	3,738	7,121
Race to the Top Incentives Grant	2014		124,764	124,764
Ohio Resident Educator Fund	2014		700	700
Ohio Appalachain Collaboration	2013		0	10,026
Ohio Appalachain Collaboration	2014		78,125	115,187
Total ARRA - Race to the Top, Recovery Act			<u>207,327</u>	<u>257,798</u>
Total U.S. Department of Education			<u>1,452,733</u>	<u>1,537,043</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 1,841,503</u></b>	<b><u>\$ 1,925,813</u></b>

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

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Muskingum Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2014, 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 February 12, 2015.

### ***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 opinions 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 communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2015



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each 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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

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

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 Each Major Federal Program***

In our opinion, the West Muskingum Local School District, Muskingum County, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2015

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies, CFDA No. 84.010</li> <li>• Special Education Grants to States, CFDA No. 84.027</li> <li>• Teacher Incentive Fund Cluster, CFDA Nos. 84.374 and 84.385</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Failure to comply with federal cash management requirements.	Yes	



# Dave Yost • Auditor of State

**WEST MUSKINGUM LOCAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 24, 2015**