



Dave Yost · Auditor of State



**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Zanesville City School District  
Muskingum County  
160 North Fourth Street  
Zanesville, Ohio 43701

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Muskingum County  
Independent Accountants' Report  
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Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 15, 2011

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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As management of the Zanesville City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements.

## **Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$3,341,311.
- General revenues accounted for \$36,410,316 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$10,752,137 or 23 percent of total revenues of \$47,162,453.
- Total assets of governmental activities increased \$2,460,162. The majority of this increase was due to an increase in capital assets in the amount of \$32,418,254. This increase was offset by a decrease in cash and cash equivalents in the amount of \$3,791,619 and a decrease in intergovernmental receivables in the amount of \$26,373,871.
- The School District had \$43,821,142 in expenses relating to governmental activities; only \$10,752,137 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$36,410,316 were adequate to provide for these programs.

## **Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a 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 look at the School District's most significant funds with all non-major funds presented in total in one column.

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

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector

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companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

#### ***Fund Financial Statements***

The analysis of the School District's major funds begin on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple 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, the Bond Retirement Debt Service Fund, and the Ohio School Facilities Commission 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

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

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

**Zanesville City School District, Ohio**  
 Management's Discussion and Analysis  
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**Table 1 - Net Assets**

	Governmental Activities		
	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$44,325,241	\$74,283,333	(\$29,958,092)
Capital Assets	<u>81,641,906</u>	<u>49,223,652</u>	<u>32,418,254</u>
Total Assets	<u>125,967,147</u>	<u>123,506,985</u>	<u>2,460,162</u>
<b>Liabilities</b>			
Long-Term Liabilities	33,628,202	35,041,582	(1,413,380)
Other Liabilities	<u>19,753,317</u>	<u>19,221,086</u>	<u>532,231</u>
Total Liabilities	<u>53,381,519</u>	<u>54,262,668</u>	<u>(881,149)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	48,679,338	19,176,038	29,503,300
Restricted	<u>21,864,974</u>	<u>50,665,429</u>	<u>(28,800,455)</u>
Unrestricted (Deficit)	<u>2,041,316</u>	<u>(597,150)</u>	<u>2,638,466</u>
<b>Total Net Assets</b>	<b><u>\$72,585,628</u></b>	<b><u>\$69,244,317</u></b>	<b><u>\$3,341,311</u></b>

Total assets increased \$2,460,162. The increase in assets is primarily due to an increase in capital assets as a result of an increase in construction in progress associated with Phase II of the School District's Ohio School Facilities Expedited Local Partnership Program which is offset by decreases in intergovernmental receivables and cash and cash equivalents. Intergovernmental receivables decreased in the amount of \$26,373,871 as a result of the School District drawing down additional monies associated with Phase II of the School District's Ohio School Facilities Expedited Local Partnership Program. The decrease in cash and cash equivalents in the amount of \$3,791,619 is also due to the School District expending monies associated with this construction project.

Total liabilities decreased by \$881,149. Other liabilities increased by \$532,231. The majority of the increase in other liabilities is primarily due to increases in retainage payable, deferred revenue, intergovernmental payable, accrued wages and benefits payable, and matured compensated absences payable. The increase in retainage payable in the amount of \$521,713 is due to the increased construction associated with the Phase II of the School District's Ohio School Facilities Expedited Local Partnership Program. The increase in deferred revenue in the amount of \$438,929 was attributable to delinquent property taxes collections. Intergovernmental payables increased \$314,867 due mainly to a change in the way retirement deductions are funded. The increase in accrued wages and benefits payable in the amount of \$142,650 is due to the increased costs of health insurance. Matured compensated absences payable increased \$141,004 as a result of eleven employees retiring before fiscal year end June 30, 2010 and receiving severance payments in fiscal year 2011 compared to only four employees as of June 20, 2009. The increase in other liabilities is offset by a decrease in contracts payable in the amount of \$990,865. The decrease in contracts payable is due to the continuing construction progress associated with the Phase II of the construction project.

The long-term liabilities decreased by \$1,413,380. This decrease was due to the School District making a \$695,000 principal payment on the School Facilities General Obligation Bonds and a decrease in retirement incentive/termination benefits payable in the amount of \$917,162.

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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, and comparisons to fiscal year 2009.

**Table 2 - Changes in Net Assets**

	Governmental Activities		
	2010	2009	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$2,577,607	\$2,268,940	\$308,667
Operating Grants, Contributions, and Interest	8,127,728	9,502,206	(1,374,478)
Capital Grants and Contributions	46,802	891,082	(844,280)
Total Program Revenues	<u>10,752,137</u>	<u>12,662,228</u>	<u>(1,910,091)</u>
General Revenue			
Property Taxes	10,253,240	11,473,822	(1,220,582)
Grants and Entitlements	25,218,656	22,728,123	2,490,533
Grant - Ohio School Facilities Commission	707,200	0	707,200
Gain on Sale of Capital Asset	0	5,169	(5,169)
Payment in Lieu of Taxes	14,169	32,670	(18,501)
Investment Earnings	94,101	229,443	(135,342)
Miscellaneous	122,950	112,848	10,102
Total General Revenues	<u>36,410,316</u>	<u>34,582,075</u>	<u>1,828,241</u>
Total Revenues	<u>47,162,453</u>	<u>47,244,303</u>	<u>(81,850)</u>
<b>Program Expenses</b>			
Instruction			
Regular	16,575,677	15,734,347	841,330
Special	7,155,412	6,143,885	1,011,527
Vocational	442,511	348,139	94,372
Intervention	223,995	1,416,419	(1,192,424)
Support Services			
Pupils	2,575,977	2,504,852	71,125
Instructional Staff	3,862,591	3,204,093	658,498
Board of Education	108,384	138,018	(29,634)
Administration	2,363,841	2,475,959	(112,118)
Fiscal	713,513	659,975	53,538
Operation and Maintenance of Plant	3,594,725	3,446,426	148,299
Pupil Transportation	1,311,564	1,183,458	128,106
Central	646,037	686,487	(40,450)
Operation of Non-Instructional Services:			
Food Service Operations	1,879,408	1,912,687	(33,279)
Other	279,817	392,215	(112,398)
Extracurricular Activities	563,974	664,576	(100,602)
Interest	<u>1,523,716</u>	<u>1,543,479</u>	<u>(19,763)</u>
Total Program Expenses	<u>43,821,142</u>	<u>42,455,015</u>	<u>1,366,127</u>
<i>Change in Net Assets</i>	<i>3,341,311</i>	<i>4,789,288</i>	<i>(1,447,977)</i>
Net Assets Beginning of Year	<u>69,244,317</u>	<u>64,455,029</u>	<u>4,789,288</u>
Net Assets End of Year	<u>\$72,585,628</u>	<u>\$69,244,317</u>	<u>\$3,341,311</u>

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Management's Discussion and Analysis  
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Total revenues decreased \$81,850. This decrease in revenues is primarily due to a decrease in operating grants, contributions, and interest in the amount of \$1,374,478, a decrease in capital grants and contributions in the amount of \$844,280, and a decrease in property taxes revenue in the amount of \$1,220,582. The decrease in capital contributions is due to the \$815,831 contribution made by the Muskingum County Community Foundation in fiscal year 2009 for improvements to the School District's stadium, including artificial turf replacement, new track curbing, drainage, excavation and paving, a sound system upgrade, and a new scoreboard. The contributions were comprised of both donations and monetary contributions. The decrease in property taxes is primarily due to the timing of collections and an increase in delinquent taxes. These decreases were offset by an increase in grants and entitlements in the amount of \$2,490,533, an increase in the Ohio School Facilities Commission Grant in the amount of \$707,200, and an increase in charges for services in the amount of \$308,667. The increase in grants and entitlements is a direct result of the education stabilization stimulus money being received in fiscal year 2010. The Ohio School Facilities Commission Grant revenue increased as a result of multiple change orders that increased the total project construction cost and accrued revenue. The increases in charges for services are due mainly to an increase in tuition revenues because of open enrollment increases.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 22 percent of governmental activities revenues for Zanesville City School District in fiscal year 2010. The remaining 78 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid.

Instruction comprises approximately 56 percent of governmental program expenses, support services make up approximately 35 percent of the program expenses, operation of non-instructional services make up approximately 5 percent of program expenses, and the remaining 4 percent of program expenses is related to extracurricular activities and interest expenses of the School District.

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

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**Table 3 - Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program Expenses</b>				
Instruction				
Regular	\$16,575,677	\$14,415,771	\$15,734,347	\$13,960,449
Special	7,155,412	4,860,757	6,143,885	2,224,034
Vocational	442,511	385,261	348,139	291,299
Intervention	223,995	223,995	1,416,419	1,416,419
Support Services:				
Pupils	2,575,977	2,033,457	2,504,852	1,788,607
Instructional Staff	3,862,591	1,211,820	3,204,093	1,143,525
Board of Education	108,384	108,384	138,018	138,018
Administration	2,363,841	2,042,384	2,475,959	2,189,002
Fiscal	713,513	691,568	659,975	635,915
Operation and Maintenance				
of Plant	3,594,725	3,542,989	3,446,426	3,399,801
Pupil Transportation	1,311,564	1,035,380	1,183,458	931,789
Central	646,037	625,740	686,487	650,686
Operation of				
Non-Instructional Services:				
Food Service Operations	1,879,408	(36,171)	1,912,687	(107,773)
Other	279,817	7,822	392,215	8,411
Extracurricular Activities	563,974	396,132	664,576	(420,874)
Interest	1,523,716	1,523,716	1,543,479	1,543,479
<b>Totals</b>	<b>\$43,821,142</b>	<b>\$33,069,005</b>	<b>\$42,455,015</b>	<b>\$29,792,787</b>

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2010, only 25 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 75 percent is provided through taxes and entitlements.

### **The School District's Major Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues in the amount of \$73,558,782 and expenditures in the amount of \$78,763,271.

#### **General Fund**

The fund balance of the General Fund at June 30, 2010 is \$1,745,244, an increase of \$950,605. The majority of this increase is due to the School District eliminating discretionary expenditures.

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***Bond Retirement Debt Service Fund***

The fund balance of the Bond Retirement Fund at June 30, 2010, is \$2,256,291, an increase of \$94,151 from the prior year primarily due to the increased amounts received from real estate taxes which were offset by the increase in bond retirement payments.

***Ohio School Facilities Commission Capital Projects Fund***

The fund balance of the Ohio School Facilities Commission Capital Projects Fund at June 30, 2010 is \$10,602,741, a decrease of \$5,391,337. The majority of this decrease is due to the increase in expenditures for construction associated with Phase II of the Ohio School Facilities Expedited Local Partnership Program.

**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 2010, the School District amended its General Fund budget. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The General Fund had original revenue budget estimates of \$30,191,302. The original budget estimates were increased to a final budget amount of \$33,478,850 for the fiscal year. Actual revenues were \$49,830 less than final budgeted estimates.

The General Fund had original expenditure budget estimates of \$33,000,026. The original budget estimates were decreased to a final budget amount of \$31,686,164 for the fiscal year. This decrease between the original and final budgets was primarily due to conservative estimates prior to the School District's five year forecast projections in October 2009. Actual expenditures were \$283,285 below final budgeted estimates.

The School District's ending unobligated General Fund budgetary balance was \$233,455 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the School District had \$81,641,906 invested in land, construction in progress, buildings and building improvements, improvements other than buildings, furniture, fixtures, equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to 2009.

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**Table 4 - Capital Assets  
 (Net of Depreciation)**

	<u>Government Activities</u>	
	2010	2009
Land	\$2,482,117	\$2,482,117
Construction in Progress	48,348,378	15,201,241
Buildings and Building Improvements	28,723,009	29,642,943
Improvements Other Than Buildings	983,961	1,047,812
Furniture, Fixtures, Equipment and Vehicles	<u>1,104,441</u>	<u>849,539</u>
<b>Totals</b>	<b><u>\$81,641,906</u></b>	<b><u>\$49,223,652</u></b>

See Note 11 for more detailed information of the School District's capital assets.

**Debt**

At June 30, 2010, the School District had \$31,306,127 in bonds, accretion, and unamortized premium and discount outstanding.

**Table 5  
 Outstanding Debt, at Fiscal Year End**

	Governmental Activities 2010	Governmental Activities 2009
2002 School Facilities		
Serial Bonds - 2.25-5.38%	\$4,860,000	\$5,555,000
Term Bonds - 4.75-5.38%	25,900,000	25,900,000
2002 School Facilities Capital Appreciation Bonds		
Original Issue	239,576	239,576
Accretion	229,905	194,389
2002 School Facilities Serial/ Term Bonds Discount	(29,957)	(31,495)
2002 School Facilities Serial/ Term Bonds Premium	<u>106,603</u>	<u>137,314</u>
<b>Totals</b>	<b><u>\$31,306,127</u></b>	<b><u>\$31,994,784</u></b>

See Note 15 for more detailed information of the School District's debt.

**Economic Factors**

The School District relies upon local property taxes and state foundation/grant monies to fund its operations. In fiscal year 2010, the School District received approximately 55 percent of its revenues from the state foundation program/grants and 22 percent from local property taxes.

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The School District will continue to be conservative in the area of expenditures. The School District completed and implemented a Corrective Action Plan which was approved by the Ohio Department of Education due to the School District being declared in fiscal caution during fiscal year 2005. The School District continues to utilize a Board Finance Committee created during fiscal year 2005. On April 21, 2010, the School District was officially released from fiscal caution by the Ohio Department of Education. Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the opportunities our students have come accustomed to.

The School District faces many challenges in today's environment and does not anticipate any meaningful growth in State revenue due to uncertainties surrounding the State budget and the State's unwillingness to adequately support school districts with higher property valuations per pupil.

According to the most recent Board-approved five year forecast, the School District is projecting deficit spending beginning in fiscal year 2011 and deficit cash balances beginning in fiscal year 2013.

**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 you may contact Cindy Nye, Treasurer, Zanesville City School District, 160 N Fourth Street, Zanesville, Ohio 43701. Or E-Mail at [nye@zanesville.k12.oh.us](mailto:nye@zanesville.k12.oh.us).

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**Zanesville City School District, Ohio**

Statement of Net Assets

June 30, 2010

	Primary Government	Component Unit
	Governmental Activities	Zanesville Community High School
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$23,709,066	\$329,132
Cash and Cash Equivalents in Segregated Accounts	1,050,311	0
Cash and Cash Equivalents with Escrow Agents	451,679	0
Accounts Receivable	70,112	0
Inventory Held for Resale	20,269	0
Materials and Supplies Inventory	3,444	0
Accrued Interest Receivable	11,375	0
Prepaid Items	120,836	111
Due from Component Unit	74,578	0
Revenue in Lieu of Taxes Receivable	14,169	0
Property Taxes Receivable	12,866,220	0
Intergovernmental Receivable	5,719,517	7,918
Deferred Charges	213,665	0
Nondepreciable Capital Assets	50,830,495	0
Depreciable Capital Assets, Net	30,811,411	0
<i>Total Assets</i>	<u>125,967,147</u>	<u>337,161</u>
<b>Liabilities</b>		
Matured Compensated Absences Payable	217,807	0
Accounts Payable	247,421	1,873
Contracts Payable	1,961,567	0
Retainage Payable	876,875	0
Accrued Wages and Benefits Payable	3,883,555	0
Due to Primary Government	0	74,578
Vacation Benefits Payable	151,445	0
Accrued Interest Payable	119,930	0
Retirement Incentive Payable	24,000	0
Intergovernmental Payable	1,143,592	88,540
Claims Payable	562,644	0
Deferred Revenue	10,564,481	33,482
Long-Term Liabilities:		
Due Within One Year	1,119,794	0
Due In More Than One Year	32,508,408	0
<i>Total Liabilities</i>	<u>53,381,519</u>	<u>198,473</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	48,679,338	0
Restricted for:		
Classroom Facilities Maintenance	563,035	0
State Grants	750,986	0
Unclaimed Monies	5,357	0
Capital Projects	2,856,373	0
Capital Projects - Ohio School Facilities Commission Project	14,836,340	0
Debt Service	2,436,641	0
Other Purposes	416,242	0
Unrestricted	2,041,316	138,688
<i>Total Net Assets</i>	<u>\$72,585,628</u>	<u>\$138,688</u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**

Statement of Activities

For the Fiscal Year Ended June 30, 2010

						Net (Expense) Revenue and Change in Net Assets
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Component Unit
<b>Governmental Activities</b>						
Instruction:						
Regular	\$16,575,677	\$1,749,502	\$410,404	\$0	(\$14,415,771)	\$0
Special	7,155,412	126,367	2,168,288	0	(4,860,757)	0
Vocational	442,511	0	57,250	0	(385,261)	0
Intervention	223,995	0	0	0	(223,995)	0
Support Services:						
Pupils	2,575,977	2,455	540,065	0	(2,033,457)	0
Instructional Staff	3,862,591	9,685	2,641,086	0	(1,211,820)	0
Board of Education	108,384	0	0	0	(108,384)	0
Administration	2,363,841	588	320,869	0	(2,042,384)	0
Fiscal	713,513	503	21,442	0	(691,568)	0
Operation and Maintenance of Plant	3,594,725	4,588	346	46,802	(3,542,989)	0
Pupil Transportation	1,311,564	91,229	184,955	0	(1,035,380)	0
Central	646,037	0	20,297	0	(625,740)	0
Operation of Non-Instructional Services:						
Food Service Operations	1,879,408	362,277	1,553,302	0	36,171	0
Other	279,817	84,720	187,275	0	(7,822)	0
Extracurricular Activities	563,974	145,693	22,149	0	(396,132)	0
Interest	1,523,716	0	0	0	(1,523,716)	0
<i>Total Primary Government</i>	<b>\$43,821,142</b>	<b>\$2,577,607</b>	<b>\$8,127,728</b>	<b>\$46,802</b>	<b>(33,069,005)</b>	<b>0</b>
<b>Component Unit</b>						
Zanesville Community High School	<b>\$806,447</b>	<b>\$0</b>	<b>\$278,311</b>	<b>\$0</b>	<b>0</b>	<b>(528,136)</b>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes				8,130,402	0	
Debt Service				1,957,338	0	
Classroom Facilities Maintenance				165,500	0	
Payment in Lieu of Taxes				14,169	0	
Grants and Entitlements not Restricted						
to Specific Programs				25,218,656	494,543	
Grant from the Ohio School Facilities Commission						
for Capital Construction				707,200	0	
Investment Earnings				94,101	762	
Miscellaneous				122,950	619	
<i>Total General Revenues</i>				<b>36,410,316</b>	<b>495,924</b>	
<i>Change in Net Assets</i>				<b>3,341,311</b>	<b>(32,212)</b>	
<i>Net Assets Beginning of Year</i>				<b>69,244,317</b>	<b>170,900</b>	
<i>Net Assets End of Year</i>				<b>\$72,585,628</b>	<b>\$138,688</b>	

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**

Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$5,635,674	\$2,242,508	\$13,007,922	\$2,817,605	\$23,703,709
Cash and Cash Equivalents with Escrow Agents	0	0	451,679	0	451,679
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	5,357	0	0	0	5,357
Accounts Receivable	10,491	0	0	59,621	70,112
Accrued Interest Receivable	11,375	0	0	0	11,375
Intergovernmental Receivable	129,413	0	4,233,599	1,356,505	5,719,517
Inventory Held for Resale	0	0	0	20,269	20,269
Materials and Supplies Inventory	0	0	0	3,444	3,444
Interfund Receivable	28,814	0	0	0	28,814
Due from Component Unit	74,578	0	0	0	74,578
Prepaid Items	65,918	0	0	54,918	120,836
Revenue in Lieu of Taxes Receivable	11,156	2,780	0	233	14,169
Property Taxes Receivable	10,221,332	2,438,481	0	206,407	12,866,220
<i>Total Assets</i>	<i>\$16,194,108</i>	<i>\$4,683,769</i>	<i>\$17,693,200</i>	<i>\$4,519,002</i>	<i>\$43,090,079</i>
<b>Liabilities</b>					
Matured Compensated Absences Payable	\$197,226	\$0	\$0	\$20,581	\$217,807
Accounts Payable	100,640	0	18,418	128,363	247,421
Contracts Payable	0	0	1,961,567	0	1,961,567
Accrued Wages and Benefits Payable	3,081,632	0	0	801,923	3,883,555
Interfund Payable	0	0	0	28,814	28,814
Retainage Payable	0	0	876,875	0	876,875
Intergovernmental Payable	889,206	0	0	254,386	1,143,592
Deferred Revenue	10,180,160	2,427,478	4,233,599	991,672	17,832,909
<i>Total Liabilities</i>	<i>14,448,864</i>	<i>2,427,478</i>	<i>7,090,459</i>	<i>2,225,739</i>	<i>26,192,540</i>
<b>Fund Balances</b>					
Reserved for Encumbrances	28,838	0	8,720,928	442,398	9,192,164
Reserved for Unclaimed Monies	5,357	0	0	0	5,357
Reserved for Property Taxes	55,198	13,783	0	1,167	70,148
Unreserved:					
Undesignated, Reported in:					
General Fund	1,655,851	0	0	0	1,655,851
Special Revenue Funds	0	0	0	1,177,511	1,177,511
Debt Service Fund	0	2,242,508	0	0	2,242,508
Capital Projects Funds	0	0	1,881,813	672,187	2,554,000
<i>Total Fund Balances</i>	<i>1,745,244</i>	<i>2,256,291</i>	<i>10,602,741</i>	<i>2,293,263</i>	<i>16,897,539</i>
<i>Total Liabilities and Fund Balances</i>	<i>\$16,194,108</i>	<i>\$4,683,769</i>	<i>\$17,693,200</i>	<i>\$4,519,002</i>	<i>\$43,090,079</i>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
 Reconciliation of the Governmental Funds Balance Sheet to  
 the Statement of Net Assets  
 June 30, 2010

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<b>Total Governmental Fund Balances</b>	\$16,897,539
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*Amounts reported for governmental activities in the statement of net assets are different because of the following:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	81,641,906
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	487,667
--	---------

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

Property Taxes Receivable Revenue in Lieu of Taxes Receivable Accounts Receivable Intergovernmental Receivable	2,231,591 14,169 2,893 <u>5,019,775</u>	7,268,428
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Retirement Incentive Payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(24,000)
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Vacation Benefits Payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(151,445)
--	-----------

Unamortized issuance costs are reported as deferred charges on the statement of net assets but as an expenditure on the fund financial statements.	213,665
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Accrued Interest Payable is recognized for outstanding long-term liabilities reported in the funds when due.	(119,930)
--	-----------

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
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Bonds Payable Accretion Bond Discount Bond Premium Termination/Retirement Incentive Payable Capital Leases Payable Compensated Absences	(30,999,576) (229,905) 29,957 (106,603) (234,003) (325,634) <u>(1,762,438)</u>	(33,628,202)
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<b><i>Net Assets of Governmental Activities</i></b>	<b><u>\$72,585,628</u></b>
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See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$7,915,065	\$1,902,172	\$0	\$160,590	\$9,977,827
Payment in Lieu of Taxes	17,265	4,302	0	361	21,928
Intergovernmental	23,744,275	453,323	27,301,997	9,159,008	60,658,603
Interest	50,075	0	41,568	185	91,828
Tuition and Fees	1,444,915	0	0	267,835	1,712,750
Extracurricular Activities	0	0	0	280,510	280,510
Charges for Services	466	0	0	581,061	581,527
Contributions and Donations	909	0	0	110,000	110,909
Miscellaneous	54,076	0	0	68,824	122,900
<i>Total Revenues</i>	<i>33,227,046</i>	<i>2,359,797</i>	<i>27,343,565</i>	<i>10,628,374</i>	<i>73,558,782</i>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	15,553,399	0	0	873,296	16,426,695
Special	5,025,019	0	0	2,141,495	7,166,514
Vocational	460,628	0	0	0	460,628
Intervention	183,378	0	0	30,344	213,722
Support Services:					
Pupils	1,954,610	0	0	574,135	2,528,745
Instructional Staff	1,034,868	0	0	3,639,117	4,673,985
Board of Education	102,997	0	0	0	102,997
Administration	2,027,315	0	0	312,740	2,340,055
Fiscal	645,573	70,035	0	0	715,608
Operation and Maintenance of Plant	3,154,184	0	16,429	478,391	3,649,004
Pupil Transportation	1,061,883	0	0	259,036	1,320,919
Central	621,909	0	2,217,831	22,622	2,862,362
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,806,739	1,806,739
Other	1,722	0	0	279,997	281,719
Extracurricular Activities	307,574	0	0	175,350	482,924
Capital Outlay	333,899	0	30,500,642	586,223	31,420,764
Debt Service:					
Principal Retirement	106,050	695,000	0	2,543	803,593
Interest and Fiscal Charges	5,332	1,500,611	0	355	1,506,298
<i>Total Expenditures</i>	<i>32,580,340</i>	<i>2,265,646</i>	<i>32,734,902</i>	<i>11,182,383</i>	<i>78,763,271</i>
<i>Excess of Revenues Over (Under) Expenditures:</i>	<i>646,706</i>	<i>94,151</i>	<i>(5,391,337)</i>	<i>(554,009)</i>	<i>(5,204,489)</i>
<b>Other Financing Sources (Use)</b>					
Transfers In	0	0	0	30,059	30,059
Inception of a Capital Lease	333,899	0	0	0	333,899
Transfers Out	(30,000)	0	0	(59)	(30,059)
Proceeds from the Sale of Capital Assets	0	0	0	8,455	8,455
<i>Total Other Financing Sources (Use)</i>	<i>303,899</i>	<i>0</i>	<i>0</i>	<i>38,455</i>	<i>342,354</i>
<i>Net Change in Fund Balances</i>	<i>950,605</i>	<i>94,151</i>	<i>(5,391,337)</i>	<i>(515,554)</i>	<i>(4,862,135)</i>
<i>Fund Balances Beginning of Year</i>	<i>794,639</i>	<i>2,162,140</i>	<i>15,994,078</i>	<i>2,808,817</i>	<i>21,759,674</i>
<i>Fund Balances End of Year</i>	<i>\$1,745,244</i>	<i>\$2,256,291</i>	<i>\$10,602,741</i>	<i>\$2,293,263</i>	<i>\$16,897,539</i>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
 Reconciliation of the Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2010

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**Net Change in Fund Balances - Total Governmental Funds** (\$4,862,135)

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

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

Capital Asset Additions	33,677,570	
Depreciation Expense	<u>(1,182,203)</u>	32,495,367

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 from the sale of capital assets and the loss on the sale of capital assets.

Proceeds from the Sale of Capital Assets	(8,455)	
Loss on the Sale of Capital Assets	<u>(68,658)</u>	(77,113)

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

807,950

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

Tuition and Fees	2,820	
Payment in Lieu of Taxes	(7,759)	
Gifts and Donations	23	
Miscellaneous	50	
Intergovernmental	(26,669,334)	
Delinquent Taxes	<u>275,413</u>	(26,398,787)

Inception of capital leases is reported as an other financing source in the governmental funds, but the inception increases long-term liabilities on the statement of net assets.

(333,899)

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

803,593

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

(102)

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

Vacation Benefits Payable	(14,276)	
Termination/Retirement Incentive Payable	905,162	
Compensated Absences Payable	<u>32,867</u>	923,753

The amortization of premiums, discounts, and issuance costs are reported on the statement of activities:

Discount Amortization	(1,538)	
Premium Amortization	30,711	
Issuance Costs Amortization	<u>(10,973)</u>	18,200

Accretion on capital appreciation bonds is an expenditure in the governmental funds but is allocated as an expense over the life of the bonds.

(35,516)

**Change in Net Assets of Governmental Activities**

\$3,341,311

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balance - Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$8,105,372	\$8,174,801	\$8,214,770	\$39,969
Payment in Lieu of Taxes	50,000	24,777	17,265	(7,512)
Intergovernmental	20,576,394	23,751,914	23,667,008	(84,906)
Interest	40,600	27,600	29,083	1,483
Tuition and Fees	1,188,311	1,353,717	1,444,863	91,146
Rentals	525	525	0	(525)
Contributions and Donations	0	0	909	909
Customer Sales and Services	130,000	130,000	0	(130,000)
Miscellaneous	100,100	15,516	55,122	39,606
<i>Total Revenues</i>	<i>30,191,302</i>	<i>33,478,850</i>	<i>33,429,020</i>	<i>(49,830)</i>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	15,889,942	14,609,897	15,135,684	(525,787)
Special	5,086,487	4,292,194	4,835,913	(543,719)
Vocational	444,589	405,013	422,687	(17,674)
Intervention	238,818	262,154	227,053	35,101
Support Services:				
Pupils	2,026,548	1,931,476	1,926,715	4,761
Instructional Staff	867,822	780,837	825,071	(44,234)
Board of Education	110,773	95,485	105,316	(9,831)
Administration	2,122,898	2,379,986	2,018,318	361,668
Fiscal	645,608	656,605	613,804	42,801
Operation and Maintenance of Plant	3,354,285	3,361,379	3,189,044	172,335
Pupil Transportation	1,171,322	1,308,009	1,113,620	194,389
Central	724,074	864,049	688,404	175,645
Other Non-Instructional Services	1,742	2,002	1,656	346
Extracurricular Activities	315,118	272,678	299,594	(26,916)
Capital Outlay	0	464,400	0	464,400
<i>Total Expenditures</i>	<i>33,000,026</i>	<i>31,686,164</i>	<i>31,402,879</i>	<i>283,285</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(2,808,724)</i>	<i>1,792,686</i>	<i>2,026,141</i>	<i>233,455</i>
<b>Other Financing Use</b>				
Transfers Out	(30,000)	(30,000)	(30,000)	0
<i>Net Change in Fund Balance</i>	<i>(2,838,724)</i>	<i>1,762,686</i>	<i>1,996,141</i>	<i>233,455</i>
Fund Balance Beginning of Year	3,538,287	3,538,287	3,538,287	0
Prior Year Encumbrances Appropriated	75,745	75,745	75,745	0
<i>Fund Balance End of Year</i>	<i>\$775,308</i>	<i>\$5,376,718</i>	<i>\$5,610,173</i>	<i>\$233,455</i>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**

Statement of Fund Net Assets  
Self-Insurance Internal Service Fund  
June 30, 2010

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**Current Assets**

Cash and Cash Equivalents in Segregated Accounts                    \$1,050,311

**Current Liabilities**

Claims Payable    562,644

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**Net Assets**

Unrestricted    \$487,667

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See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2010

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<b>Operating Revenues</b>	
Charges for Services	<u>\$7,144,561</u>
<b>Operating Expenses</b>	
Purchased Services	737,885
Claims	<u>5,601,184</u>
<i>Total Operating Expenses</i>	<u>6,339,069</u>
<i>Operating Income</i>	805,492
<b>Non-Operating Revenue</b>	
Interest Income	<u>2,458</u>
<i>Change in Net Assets</i>	807,950
<i>Net Assets (Deficit) at Beginning of Year</i>	<u>(320,283)</u>
<i>Net Assets at End of Year</i>	<u>\$487,667</u>

See accompanying notes to the basic financial statements

## **Zanesville City School District, Ohio**

## Statement of Cash Flows

## **Self-Insurance Internal Service Fund**

For the Fiscal Year Ended June 30, 2010

**Increase (Decrease) in Cash and Cash Equivalents**

## **Cash Flows from Operating Activities**

Cash Received from Transactions with Other Funds	\$7,144,561
Cash Payments for Services	(737,885)
Cash Payments for Claims	(5,592,234)

*Net Cash Provided by Operating Activities* 814,442

## **Cash Flows from Investing Activities**

Interest on Investments 2,458

*Cash and Cash Equivalents Beginning of Year* 233,411

*Cash and Cash Equivalents End of Year* \$1,050,311

## **Reconciliation of Operating Income to Net Cash**

### **Provided by Operating Activities**

Operating Income \$805,492

## **Changes in Liabilities**

Increase in Claims Payable 8,950

*Net Cash Provided by Operating Activities* \$814,442

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$24,102</u>
<i>Total Assets</i>	<u>\$24,102</u>
<b>Liabilities</b>	
Due to Students	\$21,532
Due to Others	<u>2,570</u>
<i>Total Liabilities</i>	<u>\$24,102</u>

See accompanying notes to the basic financial statements

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## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

Zanesville City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and federal agencies.

The School District was established in 1849 when the first Zanesville High School was built with an enrollment of 50 students. The School District serves the City of Zanesville and is located in Muskingum County. The School District is staffed by 192 classified employees and 265 certificated full-time teaching personnel and administrative employees providing education to 3,714 students. The School District currently operates nine instructional buildings, one administrative building, and one garage.

On March 2, 2006, the School District was declared to be in a state of “Fiscal Caution” by the Ohio Department of Education. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education to avoid a potential deficit in fiscal years 2007 and 2008. The proposal was submitted by the School District on May 2, 2006 and accepted by the Ohio Department of Education in February 2007. The School District submitted an additional proposal that was accepted by the Ohio Department of Education in February 2008 to avoid a potential deficit in fiscal year 2009. On April 21, 2010, the School District was officially released from fiscal caution by the Ohio Department of Education. See Note 23 for additional details.

#### ***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

**Discretely Presented Component Unit.** The component unit information on the Statement of Net Assets and the Statement of Activities identifies the financial data of the School District’s component unit, Zanesville Community High School. It is reported separately to emphasize that it is legally separate from the School District.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Zanesville Community High School.** The Zanesville Community High School is a legally separate community school created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Zanesville Community High School's mission, under a contractual agreement with the School District (Zanesville Community High School's sponsor), is to help at-risk students meet Ohio's graduation requirements. The Zanesville Community High School focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Zanesville Community High School serves high school age students who have dropped out or are at risk of dropping out of school. A particular emphasis is placed on assisting parents and/or pregnant students obtain a high school diploma.

The Zanesville Community High School operates under the direction of a seven-member Board of Directors made up of seven voting community members appointed by the sponsor's non-voting six-member Board of Directors. All governing authority members should live and/or work in the Zanesville-Muskingum County community as well as to represent the interest of the Muskingum County community. The Sponsor is able to impose its will on Zanesville Community High School and due to Zanesville Community High School's relationship with the Sponsor it would be misleading to exclude Zanesville Community High School. The Sponsor can suspend the Zanesville Community High School's operations for any of the following reasons: 1) The Zanesville Community High School's failure to meet student performance requirements stated in its contract with the Sponsor; 2) The Zanesville Community High School's failure to meet generally accepted standards of fiscal management; 3) The Zanesville Community High School's violation of any provisions of the contract with the Sponsor or applicable state or federal law; or 4) Other good cause. The Zanesville Community High School uses the facilities of the Sponsor. Separately issued financial statements can be obtained from the Zanesville Community High School, 160 North Fourth Street, Zanesville, Ohio 43701.

The School District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Mid-East Career and Technology Centers, Metropolitan Educational Council (MEC), Coalition of Rural and Appalachian Schools (CORAS), Ohio Coalition for Equity and Adequacy of School Funding, Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), and Ohio School Benefits Cooperative (OSBC). These organizations are presented in Notes 19 and 20 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

#### **A. Basis of Presentation**

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

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Government-wide Financial Statements** The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

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

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

### **B. Fund Accounting**

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

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

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

**Bond Retirement Debt Service Fund** The Bond Retirement Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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***Ohio School Facilities Commission Capital Projects Fund*** The Ohio School Facilities Commission Capital Projects Fund is used to account for the receipts and expenditures related to acquiring, constructing, and improving school facilities.

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

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

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

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff and 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 Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

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

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### ***D. Basis of Accounting***

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

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

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

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### ***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" on the financial statements.

The School District has a segregated bank account for self-insurance monies held separate from the School District's central bank account. This interest bearing depository account is presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" since it is not required to be deposited into the School District's treasury.

The School District has an escrow account for retainage on construction held separate from the School District's central bank account. This interest bearing depository account is presented on the financial statements as "Cash and Cash Equivalents with Escrow Agents" since it is not required to be deposited into the School District's treasury.

During fiscal year 2010, the School District's investments were limited to federal agency securities and the State Treasury Assets Reserve of Ohio (STAROhio). Investments in federal agency securities are stated at fair value based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$50,075, which includes \$26,124 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

### ***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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 year in which services are consumed.

### ***G. Inventory***

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

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

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### ***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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 fixed assets are recorded at their fair market values as of the date received.

The School District maintains a capitalization threshold of five thousand dollars. The School District currently capitalizes land, construction in progress, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<b>Description</b>	<b>Governmental Activities</b>
<b>Estimated Lives</b>	
Buildings and Building Improvements	15-50 Years
Improvements Other than Buildings	10-45 Years
Furniture, Fixtures, Equipment and Vehicles	5-20 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 on the Statement of Net Assets.

### ***J. 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 liability for vacation benefits is recorded as "Vacation Benefits Payable", rather than long-term liabilities, as the balances for most employees are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned. The School District records this liability for accumulated unused vacation time when earned for classified employees with six months of service.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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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 rate 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 for all employees having at least nineteen years of service.

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.

### ***K. 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, retirement incentives/special termination benefits, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

### ***L. Internal Activity***

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

Internal allocations of overhead expenses from one function to another or within the same function 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.

### ***M. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents restricted for unclaimed monies.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### ***N. Fund Balance Reserves***

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

The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

### ***O. Net Assets***

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

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

### ***P. 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.

### ***Q. 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.

### ***R. Budgetary Process***

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 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 for all funds of the School District. Any budgetary modifications at this level may only

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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be made by resolution of the Board of Education. The Treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are not intended to be repaid.

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

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated resources. 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 the prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

### ***S. Unamortized Issuance Costs/ Bond Premium and Discount***

In the government-wide financial statements bond issuance costs, 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. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, issuance costs, bond premiums and bond discounts are recognized in the period in which the debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***T. Operating Revenues and Expenses***

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

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

For 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

### **Note 4 - Accountability and Compliance**

#### **A. Accountability**

At June 30, 2010, the following funds had fund deficits/net assets:

	Deficit	
	Fund Balance	
<u>Special Revenue Funds:</u>		
Title VI-B Grant	\$44,524	
Title I Grant	64,189	
Miscellaneous Federal Grants	117,833	

The deficits in the Title VI-B, Title I and Miscellaneous Federal Grants Special Revenue Funds are due to the recognition of accrued liabilities in accordance with 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.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### ***B. Compliance***

The following fund had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41(B), Revised Code.

	<u>Excess</u>
Ohio School Facilities Commission	\$874,782

The following fund had final appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code:

	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Title I	\$4,373,816	\$4,374,036	(\$220)

The School District will more closely monitor budgetary procedures relating to the above violations in the future.

### **Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statement for the General Fund:

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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Net Change in Fund Balance	
GAAP Basis	\$950,605
Net Adjustment for Revenue Accruals	(122,308)
Net Adjustment for Expenditure Accruals	1,240,123
Beginning:	
Prepaid Items	46,693
Ending:	
Unrecorded Cash	(2,657)
Prepaid Items	(65,918)
Adjustment to fair value of investment	(6,960)
Adjustment for Encumbrances	<u>(43,437)</u>
Budget Basis	<u>\$1,996,141</u>

### **Note 6 - Deposits and Investments**

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

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

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

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

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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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) above;
7. The State Treasurer's investment pool (STAROhio); 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, \$9,865,983 of the School District's bank balance of \$25,641,092 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments:** As of June 30, 2010, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity	S&P Rating	Percent of Total Investments
STAROhio	\$48,326	Average 56 days	AAAm	n/a
Federal Home Loan Bank Bonds	502,190	12/30/2013	AAA	25.01%
Federal Home Loan Mortgage Corporation Notes	502,270	3/10/2015	AAA	25.03%
Federal National Mortgage Association Notes	501,250	2/26/2015	AAA	24.98%
Federal National Mortgage Association Notes	<u>501,250</u>	8/26/2013	AAA	24.98%
Total	<u><u>\$2,055,286</u></u>			

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### 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. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

### Credit Risk

STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

### Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of total investments is listed in the table above.

### **Note 7 - 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, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at twenty-five percent of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The School District receives property taxes from Muskingum County. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, 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 reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2010, \$55,198 was available as an advance in the General Fund, \$13,783 in the Bond Retirement Debt Service Fund, and \$1,167 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2009, was \$354,903 in the General Fund, \$89,028 in the Bond Retirement Debt Service Fund, and \$7,475 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$374,049,110	93.01%	\$380,091,220	96.20%
Public Utility Personal	13,117,440	3.26%	13,812,910	3.50%
General Business Personal	14,982,390	3.73%	1,182,470	0.30%
Total Assessed Value	\$402,148,940	100.00%	\$395,086,600	100.00%
Tax rate per \$1,000 of assessed valuation	\$49.95		\$49.85	

In February 2007, the School District passed a half mill Classroom Facilities Maintenance Levy.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### **Note 8 - Receivables**

Receivables at June 30, 2010, consisted of property taxes, payment in lieu of taxes, accrued interest, accounts (rent, student fees and tuition), intergovernmental grants, and interfund. 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 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. Delinquent property taxes in the amount of \$2,231,591 and the portion of Phase II Construction Project totaling \$4,233,599 that will be paid to the School District through the Ohio School Facilities Commission for future construction will not be collected within one year.

On July 2, 2007, the School District was originally awarded \$61,677,495 for the construction of a new high school and two new elementary buildings under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs. As part of the process, the School District maintains a fund into which a one-half mill levy is receipted for facilities maintenance. During fiscal year 2010 this amount was amended which resulted in an additional \$707,200 being awarded to the School District. As of the end of fiscal year 2010, the School District had received \$58,151,096 of the monies awarded under this program. The remaining amount of \$4,233,599 is recorded as a receivable and deferred revenue on the balance sheet.

A summary of principal items of intergovernmental receivables follows:

<b>Governmental Activities</b>	
School Foundation Adjustments	\$79,807
City of Zanesville Refund	537
West Muskingum Local School District Reimbursement	294
Bureau of Workers Compensation Refund	13
Medicaid Reimbursements	15,568
Ohio Department of Education Latchkey Reimbursements	7,306
School Employees Retirement System Overpayment	44,290
Food Service	209,240
Muskingum County Juvenile Detention Center Services	10,530
Title I Non-Public Grant	2,603
Auxiliary Services	23,410
Public Preschool Grant	38,020
Early Childhood Special Education Grant	15,690
Title VI-B Grant	62,461
Title I Grant	617,443
Even Start Grant	15,317
Title II-A Grant	212,456
21st Century Grant	114,572
Title II-D Grant	16,361
Ohio School Facilities - Phase II Construction	4,233,599
Total	<u><u>\$5,719,517</u></u>

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### **Note 9 - Transfers**

Following is a summary of transfers in and out for all funds at June 30, 2010:

<u>Transfer from</u>	<u>Transfer to</u>		
	Other Nonmajor Governmental	Totals	
Major Fund:			
General Fund	\$30,000	\$30,000	
Other Nonmajor Governmental	59	59	
<b>Totals</b>	<b>\$30,059</b>	<b>\$30,059</b>	

The transfer to the Miscellaneous Local Special Revenue Fund in the amount of \$30,000 was made to cover the transportation costs associated with pay to participate activities. The transfer to the Public School Supply Special Revenue Fund in the amount of \$59 was made to cover the transportation costs.

### **Note 10 - Interfund Balances**

Individual interfund receivable and payable balances at June 30, 2010, are as follows:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Nonmajor Governmental	\$28,814
<b>Total All Funds</b>	<b>\$28,814</b>

Interfund balances/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. During fiscal year 2010, there was an interfund payable in the amount of \$6,618 to be paid from the Miscellaneous State Grants Special Revenue Fund to the General Fund. The remaining amount of \$22,196, represents an actual cash deficit balance in the Miscellaneous Federal Grants Special Revenue Fund that was covered by cash from the General Fund.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>Nondepreciable Capital Assets</b>				
Land	\$2,482,117	\$0	\$0	\$2,482,117
Construction in Progress	<u>15,201,241</u>	<u>33,147,137</u>	<u>0</u>	<u>48,348,378</u>
Total NonDepreciable Capital Assets	<u>17,683,358</u>	<u>33,147,137</u>	<u>0</u>	<u>50,830,495</u>
<b>Depreciable Capital Assets</b>				
Buildings and Building Improvements	40,284,890	85,718	(1,339,501)	39,031,107
Improvements Other Than Buildings	<u>2,140,891</u>	<u>20,233</u>	<u>(57,123)</u>	<u>2,104,001</u>
Furniture, Fixtures, Equipment and Vehicles	<u>2,758,155</u>	<u>424,482</u>	<u>(263,160)</u>	<u>2,919,477</u>
Total at Estimated Historical Cost	<u>45,183,936</u>	<u>530,433</u>	<u>(1,659,784)</u>	<u>44,054,585</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(10,641,947)	(938,298)	1,272,147	(10,308,098)
Improvements Other Than Buildings	<u>(1,093,079)</u>	<u>(84,084)</u>	<u>57,123</u>	<u>(1,120,040)</u>
Furniture, Fixtures, Equipment and Vehicles	<u>(1,908,616)</u>	<u>(159,821)</u>	<u>253,401</u>	<u>(1,815,036)</u>
Total Accumulated Depreciation	<u>(13,643,642)</u>	<u>(1,182,203) *</u>	<u>1,582,671</u>	<u>(13,243,174)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>31,540,294</u>	<u>(651,770)</u>	<u>(77,113)</u>	<u>30,811,411</u>
Governmental Activities Capital Assets, Net	<u>\$49,223,652</u>	<u>\$32,495,367</u>	<u>(\$77,113)</u>	<u>\$81,641,906</u>

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

Instruction:	
Regular Instruction	\$451,057
Special Instruction	186,096
Vocational Instruction	6,800
Support Services:	
Pupils	42,320
Instructional Staff	68,386
Board of Education	5,387
Administration	118,307
Fiscal	102
Operation and Maintenance of Plant	61,114
Pupil Transportation	44,293
Central	61
Operation of Non-instructional Services:	
Food Service Operations	116,724
Other	506
Extracurricular Activities	<u>81,050</u>
Total Depreciation Expense	<u>\$1,182,203</u>

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

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

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$854,734, \$395,062, and \$400,179 respectively; 46.09 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

#### **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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may 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 times 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 DC Plan and the DB 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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A DB or Combined Plan member with five or more years 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 - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,964,727, \$1,794,479, and \$1,597,026 respectively; 82.39 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$13,744 made by the School District and \$9,817 made by the plan members.

### ***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 of Ohio have an option to choose Social Security or the School Retirement Board. As of June 30, 2010, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

### **Note 13 - Postemployment Benefits**

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

Plan Description - The School District participates in two cost-sharing multiple employer defined 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, 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 obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2010, .46 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 2010, this amount was \$35,800.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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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, 2010, 2009, and 2008 were \$13,090, \$252,141, and \$287,401 respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, 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, 2010, 2009, and 2008 were \$45,779, \$32,596, and \$29,924 respectively; 40.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

Plan Description - The School District contributes to 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. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$152,190, \$138,092, and \$122,848 respectively; 81.82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

### **Note 14 - Other 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 on an eleven or twelve month basis earn five to twenty-five days of vacation per year, depending upon length of service. Vacation leave may be accumulated by employees up to one year's allocation. 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 272 days for certified employees and up to 276 days for classified employees, including the Superintendent and Treasurer. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 68 days. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to a maximum of 69 days. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### ***B. Insurance***

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

### ***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 one lump sum in January following the year of retirement. The School District paid \$12,000 for retirement incentives during fiscal year 2010. At June 30, 2010, \$24,000 in retirement incentives was accrued as a liability to be paid in January 2011.

### ***D. Retirement Incentive/Termination Benefits***

The School District offered a one-time only voluntary separation agreement. The agreement was offered for teachers who were eligible and elected to retire at the end of fiscal year 2007 and fiscal year 2008. The benefit for those teachers that retired under this agreement was \$45,000. The agreement also provided a benefit for teachers who were not eligible to retire and at the top of the salary schedule. The benefit for those teachers was \$45,000.

### **Note 15 - Long -Term Debt and Other Obligations**

Detail of the changes in the long-term obligations of the School District for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2002 School Facilities					
Serial Bonds - 2.25-5.38%	\$5,555,000	\$0	(\$695,000)	\$4,860,000	\$750,000
Term Bonds - 4.75-5.38%	25,900,000	0	0	25,900,000	0
Capital Appreciation Bonds - 5.375%	239,576	0	0	239,576	0
Capital Appreciation Bonds Accretion	194,389	35,516	0	229,905	0
Serial / Term Bond Discount	(31,495)	0	1,538	(29,957)	0
Serial/Term Bond Premium	137,314	0	(30,711)	106,603	0
Total Bonds	31,994,784	35,516	(724,173)	31,306,127	750,000
Retirement Incentive/					
Termination Benefits Payable	1,151,165	0	(917,162)	234,003	234,003
Capital Lease	100,328	333,899	(108,593)	325,634	107,299
Compensated Absences	1,795,305	218,959	(251,826)	1,762,438	28,492
Total Long-Term Obligations	\$35,041,582	\$588,374	(\$2,001,754)	\$33,628,202	\$1,119,794

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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During December of 2002, the School District issued \$34,414,576 in voted general obligation bonds to repay outstanding bond anticipation notes. These general obligations were issued to pay the local share of school construction under the Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial, term, and capital appreciations bonds in the amounts of \$8,275,000, \$25,900,000, and \$239,576. The bonds will be retired from the Bond Retirement Debt Service Fund. The bonds were sold at a premium of \$337,819 and a discount of \$41,540. For fiscal year 2010, \$10,973 of the issuance costs were amortized. As of June 30, 2010, the School District had \$957,462 in unspent bond proceeds in the Ohio School Facilities Commission Capital Projects Fund.

The School District's overall legal debt margin at June 30, 2010 was \$11,180,070 with an unvoted debt margin of \$393,904.

The term bonds maturing on December 1, 2015, are subject to mandatory sinking redemption at a redemption price 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2014	\$980,000

The remaining principal amount of such Current Interest Bonds (\$1,070,000) will mature at stated maturity on December 1, 2015.

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100% 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
2018	\$1,365,000
2019	1,470,000
2020	1,580,000
2021	1,690,000
Total	<u><u>\$6,105,000</u></u>

The remaining principal amount of such Current Interest Bonds (\$1,810,000) will mature on December 1, 2022.

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100% 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
2023	\$1,940,000
2024	2,070,000
2025	2,210,000
Total	<u><u>\$6,220,000</u></u>

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The remaining principal amount of such Current Interest Bonds (\$2,360,000) will mature on December 1, 2026.

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100% 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	\$2,515,000
2028	2,685,000
<b>Total</b>	<b>\$5,200,000</b>

The remaining principal amount of such Current Issue Bonds (\$2,155,000) will mature on December 1, 2029.

The capital appreciation bonds mature on December 1, 2013. These bonds were issued at a premium at the time issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$945,000. For fiscal year 2010, \$35,516 was accreted for a total bond liability of \$469,481.

### ***A. Principal and Interest Requirements***

A summary of the School District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2010, follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2011	\$750,000	\$1,475,109	\$2,225,109
2012	810,000	1,445,728	2,255,728
2013	875,000	1,412,753	2,287,753
2014	239,576	2,100,895	2,340,471
2015	980,000	1,369,134	2,349,134
2016-2020	6,330,000	5,934,528	12,264,528
2021-2025	9,090,000	4,080,375	13,170,375
2026-2030	11,925,000	1,502,454	13,427,454
<b>Totals</b>	<b>\$30,999,576</b>	<b>\$19,320,976</b>	<b>\$50,320,552</b>

### ***B. Retirement Incentive/ Termination Benefits***

A summary of the School District's future termination benefit incentive payments as of June 30, 2010, follows:

Year	Retirement Incentive/ Termination Benefits
2011	\$234,003

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### **C. Capital Leases Payable**

Capital leases will be paid from the General Fund and the Food Service Special Revenue Fund.

### **D. Compensated Absences**

Compensated absences will be paid from the General Fund and the Food Service, Miscellaneous Local Funds, Miscellaneous Local Grants, Miscellaneous State Grants, Title VI-B, and Title I Special Revenue Funds.

### **Note 16 - Statutory Reserves**

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

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

	Textbooks	Capital Improvements
Set Aside Reserve Balance June 30, 2009	\$53,463	\$0
Current Year Set Aside Requirement	601,066	601,066
Contributions in Excess of the Current Fiscal Year Set Aside Requirement	0	0
Current Year Qualifying Expenditures	(855,813)	(218,404)
Excess Qualified Expenditures from Prior Years	0	0
Current Year Offsets	0	0
Waiver Granted by the Department of Education	0	0
Prior Year Offset from Bond Proceeds	0	(382,662)
Total	<u><u>(\$201,284)</u></u>	<u><u>\$0</u></u>
Balance Carried Forward to Fiscal Year 2011	<u><u>(\$201,284)</u></u>	<u><u>\$0</u></u>
Set Aside Reserve Balance June 30, 2010	\$0	\$0

The School District had qualifying expenditures for textbooks and instruction materials that may be carried forward and used to reduce the reserve requirement of the current and future years. Excess qualified expenditures for capital improvements and excess annual offsets do not carry forward.

Debt proceeds may be used to reduce the capital set aside reserve. The amount used each fiscal year is limited to the amount of revenue collected to service the debt or the set aside balance less any offsets and qualified expenditures. The fiscal year 2003 general obligation bond proceeds less the accumulated amount of debt proceeds used as an offset is carried forward to future fiscal years until consumed. The amount of debt proceeds that may be used as an offset in future fiscal years is \$19,449,670.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### **Note 17 - Contingencies/Subsequent Events**

#### **A. Grants**

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

The School District was approved for \$2,565,523 of Federal Stimulus dollars as part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund special education and early childhood programs. The allocations became available in fiscal year 2010 and will continue to be used to fund programs during fiscal year 2011.

The School District has been approved for \$726,771 of Federal Education Jobs Fund Program Dollars as part of Public Law No. 111-226, signed by President Obama on August 10, 2010. This program provides assistance to save or create education jobs. The allocation will be available to fund fiscal year 2011.

In addition, the School District has also been approved for \$1,026,552 for the next four years of Race to the Top Program Dollars. This program provides the use of expenditures for a new program or an expansion of an existing, a proven program aligned to an approved scope of work in the areas of Standards and Assessments, Using Data to Improve Instruction, Great Teachers and Leaders, and Turning Around the Lowest-Achieving Schools.

#### **B. Litigation**

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### **Note 18 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2010, the School District contracted with several different insurance providers for insurance coverage, as follows:

Insurance Provider	Coverage	Limit of Insurance	Deductible
Ohio Casualty	Building and Personal Property Blanket	\$101,905,827	\$5,000
Ohio Casualty	Commercial General Liability:		
	General Aggregate Limit	\$2,000,000	
	Completed Operations Aggregate Limit	\$2,000,000	
	Personal and Advertising Injury Limit	\$1,000,000	
	Each Occurrence Limit	\$1,000,000	
	Damage to Premises Rented Limit	\$300,000	
	Medical Expense Limit (Any One Person)	\$15,000	
Ohio Casualty	Commercial Inland Marine Coverage	\$1,524,578	\$1,000
Ohio Casualty	Commercial Auto Coverage:		
	Liability	\$1,000,000	
	Auto Medical Payments	\$1,000	
	Uninsured Motorists	\$50,000	
	Comprehensive	Cash Value	\$1,000
	Collision	Cash Value	\$1,000
Ohio Casualty	Commercial Crime Coverage:		
	Inside the Premises - Per occurrence	\$25,000	\$500
	Outside the Premises - Per messenger	\$25,000	\$500
	Forgery or Alteration - Per occurrence	\$100,000	\$500
	Employee Dishonesty - Per employee	\$100,000	\$500
Ohio Casualty	Commercial Umbrella Liability:		
	General Aggregate Limit	\$3,000,000	
	Completed Operations Aggregate Limit	\$3,000,000	
	Each Incident Limit	\$3,000,000	
	Retained Limits-Each Incident	\$10,000	
State Auto Insurance Company	Commercial Inland Marine Coverage	\$5,590	\$250
Cincinnati Insurance Company	Public Official's Bond - Treasurer	\$50,000	
Cincinnati Insurance Company	Public Official's Bond - Superintendent	\$20,000	
Cincinnati Insurance Company	Public Official's Bond - Board President	\$20,000	

There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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Medical, surgical, prescription drug 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 \$562,644 reported in the internal service fund at June 30, 2010, is based on an estimate provided by the third party administrator. 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 \$6,886,056 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2009	\$715,079	\$5,483,857	\$5,645,242	\$553,694
2010	553,694	5,601,184	5,592,234	562,644

### **Note 19 - Jointly Governed Organizations**

#### **A. *Tri-Rivers Educational Computer Association (TRECA)***

The School District is a participant in TRECA, which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During 2010, the School District paid \$200,273 for services with TRECA. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio, 43302.

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

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2010, the School District made payments totaling \$10,389 for day care services to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### ***C. Metropolitan Educational Council (MEC)***

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating Educational Service Center in Franklin County (18 Educational Service Centers) and one representative from each county.

Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2010, the School District made a payment of \$1,601 to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 32-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 32 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$300 for fiscal year 2010. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

### ***E. Ohio Coalition for Equity and Adequacy of School Funding***

The Ohio Coalition for Equity and Adequacy of School Funding is a regional council of government established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives that need not be Board of Education Superintendents. A maximum of 78 steering committee representatives may be appointed by the Chairperson. The School District's membership fee was \$2,001 for fiscal year 2010. To obtain financial information write to the Ohio Coalition for Equity and Adequacy of School Funding, William Phyllis, Executive Director, 100 S. Third Street, Columbus, Ohio 43215.

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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### **Note 20 - Insurance Purchasing Pools**

#### **A. *Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)***

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

#### **B. *Ohio School Benefits Cooperative (OSBC)***

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

Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The School District participates in the second option. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. During fiscal year 2010, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, and dental coverage.

### **Note 21 - Contractual Obligations**

As of June 30, 2010, the School District had contractual purchase commitments for construction services relating to the Phase II of the Ohio School Facilities Project (OSFC). The contract amount for these services is as follows:

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

Contractor	Project	Purchase Commitments	Amounts Paid as of 06/30/2010	Amounts Remaining on Contracts
Central Fire Protection Co., Inc.	OSFC - High School Project	\$315,385	\$264,512	\$50,873
Gutridge Plumbing	OSFC - High School Project	5,385,236	4,985,103	400,133
Claypool Electric	OSFC - High School Project	1,988,072	1,678,492	309,580
Robertson Construction	OSFC - High School Project	11,322,174	8,292,881	3,029,293
Phoenix Masonry LTD	OSFC - High School Project	2,954,846	2,739,536	215,310
Farnham Equipment	OSFC - High School Project	807,725	578,211	229,514
Stubbs, Addis, Schappa, McDonald Architects, LTD	OSFC - High School and Elementary Project	777,224	582,641	194,583
The Quandel Group Inc.	OSFC - High School and Elementary Project	3,137,943	2,659,279	478,664
Microman, Inc.	OSFC - High School and Elementary Project	3,043,609	2,322,217	721,392
Paul Construction Co., Inc.	OSFC - North Elementary Project	6,265,525	5,309,012	956,513
S.A. Comunale	OSFC - North Elementary Project	170,114	160,304	9,810
Professional Plumbing	OSFC - North Elementary Project	495,762	464,257	31,505
Accurate Electric Construction, Inc.	OSFC - North Elementary Project	1,232,983	1,177,374	55,609
Farnham Equipment	OSFC - North Elementary Project	268,415	256,828	11,587
Continental Office Environments	OSFC - North Elementary Project	844,094	0	844,094
Tom Sexton & Associates	OSFC - North Elementary Project	475,664	0	475,664
Lepi Enterprises, Inc.	OSFC - North Elementary Project	339,175	0	339,175
Johnson-Lancaster Associates	OSFC - North Elementary Project	679,932	250,941	428,991
H&A Mechanical	OSFC - North Elementary Project	1,786,943	1,786,943	0
Gutridge Plumbing	OSFC - South Elementary Project	675,151	624,614	50,537
Charter Hill Construction	OSFC - South Elementary Project	5,229,929	3,505,161	1,724,768
H&A Mechanical	OSFC - South Elementary Project	2,499,381	2,041,440	457,941
City Electric	OSFC - South Elementary Project	1,088,089	1,038,792	49,297
Harris Masonry	OSFC - South Elementary Project	1,298,742	1,275,059	23,683
Farnham Equipment	OSFC - South Elementary Project	272,338	246,899	25,439
		<b>\$53,354,451</b>	<b>\$42,240,496</b>	<b>\$11,113,955</b>

### Note 22 - Capitalized Leases

The School District has entered into capitalized leases for multiple switches and routers from Key Government Finance, Inc., a Ricoh copier from IKON, and four buses from Key Government Finance, Inc. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year Ending June 30,	Principal	Interest
2011	\$107,299	\$17,241
2012	112,916	11,625
2013	89,058	6,207
2014	9,380	1,620
2015	6,981	353
<b>Total</b>	<b>\$325,634</b>	<b>\$37,046</b>

## **Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The switches and routers, copier, and busses were originally capitalized in the amount of \$489,371. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2010 totaled \$108,593 in the governmental funds.

Property under Capital Leases	\$489,371
Less: Accumulated Depreciation	<u>(81,736)</u>
Total June 30, 2010	<u><u>\$407,635</u></u>

### **Note 23 - Fiscal Caution**

On March 2, 2006, the Zanesville City School District was placed in fiscal caution by the Ohio Department of Education and was required to submit a fiscal caution proposal by May 2, 2006 to address the projected deficit. The School District's plan was accepted in February 2007. The fiscal caution financial recovery plan included the reduction of approximately 68 positions through reduction in force, retirements, non-renewal of positions, and transfers to another funding source. The net savings was projected at \$1.7 million in fiscal year 2008. In addition, a fiscal caution plan that addresses fiscal year 2009 was accepted by the Ohio Department of Education in February 2008. On April 21, 2010, the School District was officially released from fiscal caution by the Ohio Department of Education.

### **Note 24 - Related Party Transactions**

For fiscal year 2010, the School District provided \$529,820 to the Zanesville Community High School, a discretely presented component unit, for administrative, fiscal, and student services. As of June 30, 2010, Zanesville Community High School has paid all but \$74,578 of this amount. The balance remaining to be paid is reflected as Due from Component Unit by the School District and as Due to Primary Government by the component unit.

### **Note 25 - Zanesville Community High School**

#### *Basis of Presentation*

The Zanesville Community High School is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Zanesville Community High School uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

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**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2009/2010	10.555	\$ 85,166	\$ 85,166
Cash Assistance:				
School Breakfast Program	2009/2010	10.553	431,091	431,091
National School Lunch Program	2009/2010	10.555	905,980	905,980
Child and Adult Care Food Program	2009/2010	10.558	86,854	86,854
Summer Food Service Program for Children	2009/2010	10.559	7,745	7,745
Cash Assistance Subtotal			<u>1,431,670</u>	<u>1,431,670</u>
Total Child Nutrition Cluster			<u>1,516,836</u>	<u>1,516,836</u>
Total U.S. Department of Agriculture			1,516,836	1,516,836
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2009	84.010	365,090	314,323
	2010		<u>1,978,284</u>	<u>1,903,507</u>
Total Title I Grants to Local Educational Agencies			<u>2,343,374</u>	<u>2,217,830</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	<u>597,797</u>	<u>559,187</u>
Total Title I, Part A Cluster			2,941,171	2,777,017
Special Education Cluster:				
Special Education - Grants to States	2009	84.027	82,050	127,167
	2010		<u>1,045,024</u>	<u>1,093,327</u>
Total Special Education - Grants to States			<u>1,127,074</u>	<u>1,220,494</u>
Special Education - Preschool Grants	2010	84.173	4,598	2,068
ARRA - Special Education - Grants to States, Recovery Act	2010	84.391	564,399	501,395
ARRA - Special Education - Preschool Grants, Recovery Act	2010	84.392	<u>22,741</u>	<u>21,609</u>
Total Special Education Cluster			1,718,812	1,745,566
Safe and Drug-Free Schools and Communities - State Grants	2010	84.186	21,400	21,400
Even Start-State Educational Agencies	2009	84.213	34,580	44,572
	2010		<u>225,566</u>	<u>190,483</u>
Total Even Start-State Educational Agencies			<u>260,146</u>	<u>235,055</u>
Twenty-First Century Community Learning Centers	2009	84.287	71,503	102,967
	2010		<u>315,067</u>	<u>322,720</u>
Total Twenty-First Century Community Learning Centers			<u>386,570</u>	<u>425,687</u>
State Grants for Innovative Programs	2009	84.298		311
Education Technology State Grants	2009	84.318	(3,528)	
	2010		<u>29,860</u>	<u>29,710</u>
Total Education Technology State Grants			<u>26,332</u>	<u>29,710</u>

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
Improving Teacher Quality State Grants	2009	84.367	\$ 81,819	\$ 80,939
	2010		285,584	303,937
Total Improving Teacher Quality State Grants			367,403	384,876
School Improvement Grants	2009	84.377	29,200	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grants to States, Recovery Act	2010	84.394	1,399,772	1,399,772
Total U.S. Department of Education			7,150,806	7,019,394
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Job and Family Services and Muskingum County Department of Job and Family Services:</i>				
Temporary Assistance to Needy Families	2008	93.558		2,132
	2009			21,424
Total Temporary Assistance to Needy Families			0	23,556
Total U.S. Department of Health and Human Services			0	23,556
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 8,667,642</b>	<b>\$ 8,559,786</b>

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

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Zanesville City 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 the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2009 to 2010 programs:

Program Title	CFDA Number	Amount Transferred from 2009 to 2010
<u>Education Technology State Grants</u>	<u>84.318</u>	<u>\$3,528</u>

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# Dave Yost • Auditor of State

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

Zanesville City School District  
Muskingum County  
160 North Fourth Street  
Zanesville, Ohio 43701

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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, providing an opinion 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*.

Zanesville City School District  
Muskingum County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 15, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

March 15, 2011



# Dave Yost • Auditor of State

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

Zanesville City School District  
Muskingum County  
160 North Fourth Street  
Zanesville, Ohio 43701

To the Board of Education:

### Compliance

We have audited the compliance of the Zanesville City School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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.

Zanesville City School District

Muskingum County

Independent Accountants' Report on Compliance with Requirements Applicable  
to Each Major Federal Program and on Internal Control Over Compliance in  
Required by OMB Circular A-133

Page 2

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

March 15, 2011

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<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 non-compliance 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>	Unqualified
<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>	Improving Teacher Quality State Grants - CFDA No. 84.367  ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act - CFDA No. 84.394  Title I, Part A Cluster - CFDA Nos. 84.010 and 84.389  Special Education Cluster - CFDA Nos. 84.027, 84.173, 84.391 and 84.392
<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

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010  
(Continued)**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	Ohio Rev. Code Section 5705.41(B) – budgetary expenditures in excess of appropriations	No	Partially Corrected; current year audit noted variances however these variances were not deemed significant. Noncompliance citation included within the management letter for the current year.

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# Dave Yost • Auditor of State

ZANESVILLE CITY 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MARCH 31, 2011