



Dave Yost • Auditor of State

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

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Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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, 2014. 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 2014 are as follows:

- Net position of governmental activities decreased \$1,537,772.
- General revenues accounted for \$34,489,023 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$12,300,970 or 26 percent of total revenues of \$46,789,993.
- The School District had \$48,327,765 in expenses relating to governmental activities; only \$12,300,970 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$34,489,023 were not 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 Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements 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 Position and Statement of Activities

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begin on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for 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 and the Bond Retirement Debt Service Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1 - Net Position

	Governmental Activities		
	2014	2013	Change
Assets			
Current and Other Assets	\$25,624,710	\$27,043,743	(\$1,419,033)
Capital Assets	80,164,848	82,920,471	(2,755,623)
Total Assets	<u>105,789,558</u>	<u>109,964,214</u>	<u>(4,174,656)</u>
Liabilities			
Long-Term Liabilities	31,588,591	32,285,222	(696,631)
Other Liabilities	5,909,491	5,906,501	2,990
Total Liabilities	<u>37,498,082</u>	<u>38,191,723</u>	<u>(693,641)</u>
Deferred Inflows of Resources			
Property Taxes	<u>5,891,941</u>	<u>7,835,184</u>	<u>(1,943,243)</u>
Net Position			
Net Investment in Capital Assets	50,458,857	52,891,647	(2,432,790)
Restricted	7,743,508	7,589,515	153,993
Unrestricted	4,197,170	3,456,145	741,025
Total Net Position	<u>\$62,399,535</u>	<u>\$63,937,307</u>	<u>(\$1,537,772)</u>

Total assets decreased \$4,174,656. Current assets decreased by \$1,419,033 primarily due to decreases in equity in pooled cash and cash equivalents of \$605,499 and property taxes receivable of \$766,040. Capital assets decreased \$2,755,623 mainly from yearly depreciation exceeding current year additions.

Other liabilities did not experience significant changes. Long-term liabilities decreased \$696,631 primarily due to the payment of debt.

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

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 - Changes in Net Position

	Governmental Activities		
	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,935,138	\$1,880,750	\$54,388
Operating Grants, Contributions, and Interest	10,319,030	9,721,664	597,366
Capital Grants and Contributions	46,802	46,802	0
Total Program Revenues	<u>12,300,970</u>	<u>11,649,216</u>	<u>651,754</u>
General Revenue:			
Property Taxes	11,912,877	10,272,131	1,640,746
Payment in Lieu of Taxes	25,802	25,152	650
Grants and Entitlements	22,458,324	21,570,526	887,798
Investment Earnings	59,708	36,997	22,711
Miscellaneous	32,312	222,573	(190,261)
Total General Revenues	<u>34,489,023</u>	<u>32,127,379</u>	<u>2,361,644</u>
Total Revenues	<u>46,789,993</u>	<u>43,776,595</u>	<u>3,013,398</u>
Program Expenses			
Instruction:			
Regular	22,696,767	19,725,508	2,971,259
Special	7,335,954	7,990,895	(654,941)
Vocational	226,295	454,358	(228,063)
Intervention	177,188	142,599	34,589
Support Services:			
Pupils	2,198,811	2,439,807	(240,996)
Instructional Staff	2,364,140	3,520,571	(1,156,431)
Board of Education	111,947	73,605	38,342
Administration	2,453,152	2,220,828	232,324
Fiscal	640,728	649,307	(8,579)
Operation and Maintenance of Plant	3,537,707	3,926,368	(388,661)
Pupil Transportation	1,568,444	1,466,313	102,131
Central	409,429	335,716	73,713
Operation of Non-Instructional Services:			
Food Service Operations	2,167,146	2,145,255	21,891
Other	664,961	899,816	(234,855)
Extracurricular Activities	807,831	714,645	93,186
Interest	967,265	2,044,567	(1,077,302)
Total Program Expenses	<u>48,327,765</u>	<u>48,750,158</u>	<u>(422,393)</u>
Decrease in Net Position	(1,537,772)	(4,973,563)	3,435,791
Net Position Beginning of Year	<u>63,937,307</u>	<u>68,910,870</u>	<u>(4,973,563)</u>
Net Position End of Year	<u>\$62,399,535</u>	<u>\$63,937,307</u>	<u>(\$1,537,772)</u>

Zanesville City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Net position decreased \$1,537,772. Revenues reflect an overall increase of \$3,013,398 due mainly to an increase in property taxes of \$1,640,746, an increase in grants and entitlements of \$887,798, and an increase in operating grants and contributions of \$597,366. Property taxes increased due to the larger amount available as an advance to the School District as of fiscal year end combined with the increase in the amount of taxes that were received in fiscal year 2014. The increase in general revenue grants and entitlements was the result of increases in State foundation revenues for fiscal year 2014. The increase in operating grants, contributions, and interest is due to the timing of federal and state grant receipts.

Instruction comprises approximately 63 percent of governmental program expenses, support services make up approximately 27 percent of the program expenses, operation of non-instructional services make up approximately 6 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 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 25 percent of governmental activities revenues for Zanesville City School District in fiscal year 2014. The remaining 75 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid.

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.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 3 - Cost of Services

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
Program Expenses				
Instruction:				
Regular	\$22,696,767	\$21,054,265	\$19,725,508	\$17,964,798
Special	7,335,954	1,196,288	7,990,895	3,717,796
Vocational	226,295	194,795	454,358	396,679
Intervention	177,188	177,188	142,599	142,599
Support Services:				
Pupils	2,198,811	2,188,414	2,439,807	2,378,630
Instructional Staff	2,364,140	1,209,804	3,520,571	1,301,360
Board of Education	111,947	111,947	73,605	73,605
Administration	2,453,152	2,291,864	2,220,828	2,073,441
Fiscal	640,728	640,728	649,307	649,307
Operation and Maintenance of Plant	3,537,707	3,283,118	3,926,368	3,655,268
Pupil Transportation	1,568,444	1,477,487	1,466,313	1,346,764
Central	409,429	386,381	335,716	330,477
Operation of Non-Instructional Services:				
Food Service Operations	2,167,146	185,039	2,145,255	34,373
Other	664,961	125,062	899,816	424,931
Extracurricular Activities	807,831	537,150	714,645	566,347
Interest	967,265	967,265	2,044,567	2,044,567
Totals	\$48,327,765	\$36,026,795	\$48,750,158	\$37,100,942

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2014, 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 \$47,023,753 and expenditures in the amount of \$46,769,804.

The General Fund had total revenues of \$36,910,334 and expenditures of \$36,778,604. The General Fund's balance at June 30, 2014, increased \$131,730, resulting in a fund balance of \$3,949,734. The School District remains financially cautious.

The fund balance of the Bond Retirement Fund at June 30, 2014, is \$3,567,845, an increase of \$652,967 from the prior year due to debt service payments not exceeding the revenue received.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal 2014, the School District 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 \$34,468,410. The original budget estimates were increased to a final budget amount of \$36,398,472 for the fiscal year. Actual revenues were \$850,848 less than final budgeted estimates.

The General Fund had original expenditure budget estimates of \$34,812,533. The original budget estimates were increased to a final budget amount of \$38,127,285 for the fiscal year. Actual expenditures were \$1,037,360 below final budgeted estimates.

The School District's ending unobligated General Fund budgetary balance was \$186,512 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$80,164,848 invested in land, land improvements, buildings and building improvements, improvements other than buildings, and furniture, fixtures, equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

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

	2014	2013
Land	\$2,426,537	\$2,426,537
Land Improvements	68,107	68,107
Buildings and Building Improvements	73,745,487	76,237,412
Improvements Other Than Buildings	1,991,355	2,063,317
Furniture, Fixtures, Equipment and Vehicles	1,933,362	2,125,098
Totals	\$80,164,848	\$82,920,471

See Note 9 for more detailed information of the School District's capital assets.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt

At June 30, 2014, the School District had \$30,048,446 in bonds, accretion, and unamortized premiums and discounts outstanding.

Table 5 - Outstanding Debt, at Fiscal Year End

	2014	2013
2002 School Facilities		
Capital Appreciation Bonds - 5.375%	\$0	\$172,393
Capital Appreciation Bonds Accretion	0	473,440
Capital Appreciation Bond Premium	0	18,214
Total School Facilities Bonds	0	664,047
2011 School Improvement Refunding Bonds		
Serial Bonds, \$16,680,000 - 2.0%-5.0%	16,545,000	16,545,000
Serial Bond Premium, \$806,489	633,671	691,277
Capital Appreciation Bonds - 2.85%	41,759	41,759
Capital Appreciation Bonds Accretion	71,959	39,997
Capital Appreciation Bond Premium, \$249,939	196,380	214,233
Total School Improvement Refunding Bonds	17,488,769	17,532,266
2012 Refunding Bonds		
Current Interest Bonds, \$10,000,000 - 2.0%-3.5%	9,585,000	9,585,000
Current Interest Bond Premium \$123,740	106,062	114,901
Current Interest Bond Discount, \$145,026	(124,308)	(134,667)
Capital Appreciation Bonds - 3.49% - 3.62%	1,910,000	1,910,000
Capital Appreciation Bond Accretion	277,477	142,462
Capital Appreciation Bond Premium, \$939,688	805,446	872,567
Total School Improvement Refunding Bonds	12,559,677	12,490,263
Total General Obligation Bonds	\$30,048,446	\$30,686,576

See Note 13 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 2014, the School District received approximately 48 percent of its revenues from the State foundation program/grants and 25 percent from local property taxes.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 become 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. With this in mind, the School District implemented changes at the end of fiscal year 2011 that would reduce expenditures in the following years. These changes include closing one of two middle schools and a reduction in force of over 40 positions.

According to the most recent Board-approved five year forecast, the School District is projecting deficit spending beginning in fiscal year 2016 and continuing through fiscal year 2019.

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 Michael Young, Treasurer, Zanesville City School District, 160 N Fourth Street, Zanesville, Ohio 43701. Or email at myoung@zanesville.k12.oh.us.

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Zanesville City School District, Ohio

Statement of Net Position

June 30, 2014

	Primary Government	Component Unit
	Governmental Activities	Zanesville Community High School
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,262,807	\$645,445
Cash and Cash Equivalents in Segregated Accounts	1,084,814	0
Accounts Receivable	12,748	0
Inventory Held for Resale	22,422	0
Materials and Supplies Inventory	5,311	0
Prepaid Items	38,876	8,321
Due from Component Unit	123,517	0
Payment in Lieu of Taxes Receivable	8,745	0
Property Taxes Receivable	13,030,034	0
Intergovernmental Receivable	2,035,436	33,254
Nondepreciable Capital Assets	2,494,644	0
Depreciable Capital Assets, Net	77,670,204	0
<i>Total Assets</i>	<u>105,789,558</u>	<u>687,020</u>
Liabilities		
Matured Compensated Absences Payable	197,535	0
Accounts Payable	170,371	396
Accrued Wages and Benefits Payable	3,713,548	0
Due to Primary Government	0	123,517
Vacation Benefits Payable	158,974	0
Retirement Incentive Payable	96,000	0
Accrued Interest Payable	74,416	0
Intergovernmental Payable	746,598	13,751
Claims Payable	752,049	0
Long-Term Liabilities:		
Due Within One Year	1,144,363	0
Due In More Than One Year	30,444,228	0
<i>Total Liabilities</i>	<u>37,498,082</u>	<u>137,664</u>
Deferred Inflows of Resources		
Property Taxes	5,891,941	0
Net Position		
Net Investment in Capital Assets	50,458,857	0
Restricted for:		
Classroom Facilities Maintenance	802,540	0
State Grants	110,424	0
Federal Grants	793,368	0
Unclaimed Monies	1,607	0
Food Service	434,614	0
Capital Projects	8,865	0
Capital Projects - Ohio School Facilities Commission Project	1,394,738	0
Debt Service	3,895,193	0
Other Purposes	302,159	0
Unrestricted	4,197,170	549,356
<i>Total Net Position</i>	<u>\$62,399,535</u>	<u>\$549,356</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

					Net Expense and Change in Net Position	
	Expenses	Program Revenues			Primary Government	
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	Component Unit
Governmental Activities						
Instruction:						
Regular	\$22,696,767	\$1,183,465	\$459,037	\$0	(\$21,054,265)	\$0
Special	7,335,954	32,098	6,107,568	0	(1,196,288)	0
Vocational	226,295	0	31,500	0	(194,795)	0
Intervention	177,188	0	0	0	(177,188)	0
Support Services:						
Pupils	2,198,811	0	10,397	0	(2,188,414)	0
Instructional Staff	2,364,140	0	1,154,336	0	(1,209,804)	0
Board of Education	111,947	0	0	0	(111,947)	0
Administration	2,453,152	0	161,288	0	(2,291,864)	0
Fiscal	640,728	0	0	0	(640,728)	0
Operation and Maintenance of Plant	3,537,707	90,948	116,839	46,802	(3,283,118)	0
Pupil Transportation	1,568,444	0	90,957	0	(1,477,487)	0
Central	409,429	0	23,048	0	(386,381)	0
Operation of Non-Instructional Services:						
Food Service Operations	2,167,146	214,122	1,767,985	0	(185,039)	0
Other	664,961	200,313	339,586	0	(125,062)	0
Extracurricular Activities	807,831	214,192	56,489	0	(537,150)	0
Interest	967,265	0	0	0	(967,265)	0
Total Primary Government	\$48,327,765	\$1,935,138	\$10,319,030	\$46,802	(36,026,795)	0
Component Unit						
Zanesville Community High School	\$931,502	\$0	\$136,953	\$0	0	(794,549)
General Revenues						
Property Taxes Levied for:						
General Purposes					10,036,250	0
Debt Service					1,688,284	0
Classroom Facilities Maintenance					188,343	0
Payment in Lieu of Taxes					25,802	0
Grants and Entitlements not Restricted						
to Specific Programs					22,458,324	852,472
Investment Earnings					59,708	921
Miscellaneous					32,312	0
Total General Revenues					34,489,023	853,393
Change in Net Position					(1,537,772)	58,844
Net Position Beginning of Year					63,937,307	490,512
Net Position End of Year					\$62,399,535	\$549,356

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio

Balance Sheet
Governmental Funds
June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,013,743	\$2,906,035	\$3,341,422	\$9,261,200
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,607	0	0	1,607
Accounts Receivable	9,950	0	2,798	12,748
Intergovernmental Receivable	251,001	0	1,784,435	2,035,436
Inventory Held for Resale	0	0	22,422	22,422
Materials and Supplies Inventory	0	0	5,311	5,311
Interfund Receivable	698,714	0	15,429	714,143
Due from Component Unit	123,517	0	0	123,517
Prepaid Items	19,292	0	19,584	38,876
Payment in Lieu of Taxes Receivable	7,470	1,190	85	8,745
Property Taxes Receivable	10,889,998	1,934,679	205,357	13,030,034
<i>Total Assets</i>	<u>\$15,015,292</u>	<u>\$4,841,904</u>	<u>\$5,396,843</u>	<u>\$25,254,039</u>
Liabilities				
Matured Compensated Absences Payable	\$197,210	\$0	\$325	\$197,535
Accounts Payable	70,854	0	99,517	170,371
Accrued Wages and Benefits Payable	3,029,979	0	683,569	3,713,548
Interfund Payable	15,429	0	198,714	214,143
Intergovernmental Payable	592,341	0	154,257	746,598
<i>Total Liabilities</i>	<u>3,905,813</u>	<u>0</u>	<u>1,136,382</u>	<u>5,042,195</u>
Deferred Inflows of Resources				
Property Taxes	4,926,847	872,295	92,799	5,891,941
Unavailable Revenue	2,232,898	401,764	925,332	3,559,994
<i>Total Deferred Inflows of Resources</i>	<u>7,159,745</u>	<u>1,274,059</u>	<u>1,018,131</u>	<u>9,451,935</u>
Fund Balances				
Non-Spendable				
Inventories	0	0	5,311	5,311
Prepays	19,292	0	19,584	38,876
Unclaimed Monies	1,607	0	0	1,607
Restricted for:				
Food Service Operations	0	0	468,876	468,876
Athletics and Music	0	0	194,475	194,475
State Grant Expenditures	0	0	88,424	88,424
Local Grant Expenditures	0	0	73,555	73,555
Scholarships	0	0	28,129	28,129
Debt Service	0	3,567,845	0	3,567,845
Capital Improvements	0	0	1,403,603	1,403,603
Classroom Facilities Maintenance	0	0	760,304	760,304
Assigned to:				
Purchases on Order	32,943	0	0	32,943
Capital Improvements	0	0	301,463	301,463
Other Purposes	47,490	0	0	47,490
Unassigned (Deficit)	3,848,402	0	(101,394)	3,747,008
<i>Total Fund Balances</i>	<u>3,949,734</u>	<u>3,567,845</u>	<u>3,242,330</u>	<u>10,759,909</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$15,015,292</u>	<u>\$4,841,904</u>	<u>\$5,396,843</u>	<u>\$25,254,039</u>

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 Position
 June 30, 2014

Total Governmental Fund Balances		\$10,759,909
<i>Amounts reported for governmental activities in the statement of net position are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		80,164,848
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(167,235)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	2,642,381	
Payment in Lieu of Taxes	8,745	
Intergovernmental	889,862	
Tuition and Fees	198	
Reimbursements	8,793	
Miscellaneous	10,015	3,559,994
Vacation benefits and retirement incentive payables are not expected to be paid with expendable available financial resources and therefore is not reported in the funds.		(254,974)
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available resources and therefore are not reported in the funds.		(74,416)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Bonds Payable	(28,081,759)	
Accretion	(349,436)	
Bond Discount	124,308	
Bond Premium	(1,741,559)	
Capital Leases Payable	(6,981)	
Compensated Absences	(1,533,164)	(31,588,591)
<i>Net Position of Governmental Activities</i>		\$62,399,535

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, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$9,968,088	\$1,870,479	\$187,946	\$12,026,513
Payment in Lieu of Taxes	24,383	1,190	85	25,658
Intergovernmental	25,410,400	429,604	6,892,233	32,732,237
Investment Earnings	59,601	0	65	59,666
Tuition and Fees	1,110,330	0	0	1,110,330
Extracurricular Activities	76,132	0	338,373	414,505
Rentals	90,948	0	0	90,948
Charges for Services	105,450	0	214,122	319,572
Contributions and Donations	42,617	0	177,000	219,617
Miscellaneous	22,385	0	2,322	24,707
<i>Total Revenues</i>	<u>36,910,334</u>	<u>2,301,273</u>	<u>7,812,146</u>	<u>47,023,753</u>
Expenditures				
Current:				
Instruction:				
Regular	19,696,638	0	637,132	20,333,770
Special	4,721,388	0	2,652,619	7,374,007
Vocational	226,526	0	0	226,526
Intervention	180,639	0	0	180,639
Support Services:				
Pupils	2,232,276	0	10,049	2,242,325
Instructional Staff	884,350	0	1,487,117	2,371,467
Board of Education	107,300	0	0	107,300
Administration	2,326,600	0	160,644	2,487,244
Fiscal	602,698	44,531	3,918	651,147
Operation and Maintenance of Plant	3,243,397	0	379,328	3,622,725
Pupil Transportation	1,408,765	0	184,037	1,592,802
Central	403,155	0	1,847	405,002
Operation of Non-Instructional Services:				
Food Service Operations	0	0	2,135,417	2,135,417
Other	263,628	0	422,686	686,314
Extracurricular Activities	470,244	0	212,378	682,622
Capital Outlay	0	0	55,722	55,722
Debt Service:				
Principal Retirement	9,380	172,393	0	181,773
Interest and Fiscal Charges	1,620	923,775	0	925,395
Interest on Capital Appreciation Bonds	0	507,607	0	507,607
<i>Total Expenditures</i>	<u>36,778,604</u>	<u>1,648,306</u>	<u>8,342,894</u>	<u>46,769,804</u>
<i>Net Change in Fund Balances</i>	131,730	652,967	(530,748)	253,949
Fund Balances Beginning of Year	<u>3,818,004</u>	<u>2,914,878</u>	<u>3,773,078</u>	<u>10,505,960</u>
<i>Fund Balances End of Year</i>	<u>\$3,949,734</u>	<u>\$3,567,845</u>	<u>\$3,242,330</u>	<u>\$10,759,909</u>

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, 2014

Net Change in Fund Balances - Total Governmental Funds		\$253,949
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	312,993	
Depreciation Expense	(3,068,616)	(2,755,623)
The internal service fund provided 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.		
		533,528
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported as revenues and expenditures in the funds:		
Tuition and Fees	(217)	
Payment in Lieu of Taxes	144	
Miscellaneous	7,605	
Intergovernmental	(127,710)	
Support Services - Board of Education	3,608	
Food Service Operations - Board of Education	5,185	
Delinquent Property Taxes	(113,636)	(225,021)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. The accretion of capital appreciation bonds and the amortization of premiums and discounts are reported on the statement of activities:		
Discount Amortization	(10,359)	
Premium Amortization	169,633	
Accretion of Capital Appreciation Bonds	(201,144)	(41,870)
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	6,764	
Retirement Incentive Payable	(48,000)	
Compensated Absences Payable	49,121	7,885
Repayment of principal and advance refundings are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
General Obligation Bonds	172,393	
Capital Appreciation Bond Interest	507,607	
Capital Leases	9,380	689,380
Change in Net Position of Governmental Activities		(\$1,537,772)
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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$8,265,946	\$8,710,106	\$8,710,106	\$0
Payment in Lieu of Taxes	20,000	24,383	24,383	0
Intergovernmental	24,088,834	25,311,592	25,322,749	11,157
Investment Earnings	30,000	80,298	92,268	11,970
Tuition and Fees	992,180	1,124,766	1,113,886	(10,880)
Extracurricular Activities	3,800	7,823	7,823	0
Rentals	90,000	90,948	90,948	0
Charges for Services	940,000	962,284	123,585	(838,699)
Contributions and Donations	2,650	877	618	(259)
Miscellaneous	35,000	85,395	61,258	(24,137)
<i>Total Revenues</i>	<u>34,468,410</u>	<u>36,398,472</u>	<u>35,547,624</u>	<u>(850,848)</u>
Expenditures				
Current:				
Instruction:				
Regular	18,551,213	20,317,606	19,764,809	552,797
Special	4,498,145	4,926,446	4,792,408	134,038
Vocational	218,022	238,782	232,285	6,497
Intervention	165,541	181,304	176,371	4,933
Support Services:				
Pupils	2,115,308	2,316,722	2,253,689	63,033
Instructional Staff	878,671	962,335	936,152	26,183
Board of Education	108,158	118,457	115,234	3,223
Administration	2,216,653	2,427,716	2,361,663	66,053
Fiscal	574,787	629,517	612,389	17,128
Operation and Maintenance of Plant	3,159,888	3,460,764	3,366,604	94,160
Pupil Transportation	1,316,812	1,442,195	1,402,956	39,239
Central	383,290	419,785	408,364	11,421
Other Non-Instructional Services	282,629	309,541	301,119	8,422
Extracurricular Activities	343,416	376,115	365,882	10,233
<i>Total Expenditures</i>	<u>34,812,533</u>	<u>38,127,285</u>	<u>37,089,925</u>	<u>1,037,360</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(344,123)</u>	<u>(1,728,813)</u>	<u>(1,542,301)</u>	<u>186,512</u>
Other Financing Source				
Advances In	500,000	13,316	13,316	0
<i>Net Change in Fund Balance</i>	155,877	(1,715,497)	(1,528,985)	186,512
Fund Balance Beginning of Year	4,469,944	4,469,944	4,469,944	0
Prior Year Encumbrances Appropriated	182,273	182,273	182,273	0
<i>Fund Balance End of Year</i>	<u>\$4,808,094</u>	<u>\$2,936,720</u>	<u>\$3,123,232</u>	<u>\$186,512</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio

Statement of Fund Net Position

Self-Insurance Internal Service Fund

June 30, 2014

Current Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$1,084,814</u>
Current Liabilities	
Interfund Payable	500,000
Claims Payable	<u>752,049</u>
<i>Total Current Liabilities</i>	<u>1,252,049</u>
Net Position	
Unrestricted (Deficit)	<u><u>(\$167,235)</u></u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2014

Operating Revenues	
Charges for Services	<u>\$7,625,700</u>
Operating Expenses	
Purchased Services	725,439
Claims	<u>6,366,787</u>
<i>Total Operating Expenses</i>	<u>7,092,226</u>
<i>Operating Income</i>	533,474
Non-Operating Revenue	
Investment Income	<u>54</u>
<i>Change in Net Position</i>	533,528
<i>Net Position (Deficit) Beginning of Year</i>	<u>(700,763)</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>(\$167,235)</u></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, 2014

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$7,625,700
Cash Payments for Services	(725,439)
Cash Payments for Claims	<u>(6,088,393)</u>

Net Cash Provided by Operating Activities 811,868

Cash Flows from Investing Activities

Interest on Investments 54

Net Increase in Cash and Cash Equivalents 811,922

Cash and Cash Equivalents Beginning of Year 272,892

Cash and Cash Equivalents End of Year \$1,084,814

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income \$533,474

Changes in Liabilities

Increase in Claims Payable 278,394

Net Cash Provided by Operating Activities \$811,868

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio

Statement of Assets and Liabilities

Agency Funds

June 30, 2014

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$23,310</u>
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Liabilities

Due to Students	\$19,498
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Due to Others	<u>3,812</u>
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<i>Total Liabilities</i>	<u>\$23,310</u>
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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, 2014

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 171 classified employees and 253 certificated full-time teaching personnel and administrative employees providing education to 4,522 students. The School District currently operates five instructional buildings, one administrative building, and one garage.

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, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government.

Discretely Presented Component Unit. The component unit information on the Statement of Net Position 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 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.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 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 four 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, Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program, and Ohio School Benefits Cooperative (OSBC). These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental 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 Position presents the financial condition of the governmental activities of the School District at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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. The funds used by the School District can be classified using three categories: 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 accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

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.

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

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund:

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.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District 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 Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

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 outflows and inflows of resources, and in the presentation of expenses versus expenditures.

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 6). 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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

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

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

E. Cash and Cash Equivalents

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

During fiscal year 2014, the School District's investments were limited to federal agency securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in federal agency securities and commercial paper are stated at fair value based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$59,601, which includes \$28,786 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. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

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

G. Inventory

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

H. Capital Assets

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

All capital assets 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 and land improvements; buildings and buildings improvements; and furniture, fixtures, equipment and vehicles. 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 capitalized.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

Description	Governmental Activities Estimated Lives
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 Position.

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.

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 the employees who will receive the payment are made.

K. Accrued Liabilities and Long-Term Obligations

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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. Unclaimed monies that are required to be held for five years before they may be utilized by the School District are reported as restricted.

N. Fund Balance

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

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

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for athletics, scholarships not in a trust, and miscellaneous local funds restricted for specified purposes.

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 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 on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

S. Bond Premium and Discounts

On government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds.

On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are 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.

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.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 3 - Accountability

The following funds had deficit fund balances as of June 30, 2014:

	<u>Deficit</u>
Special Revenue Funds:	
Title I	\$56,441
IDEA Part B	29,553
Miscellaneous Federal Grants	15,400
Self-Insurance Internal Service Fund	167,235

The deficits are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles (GAAP). The General Fund provides transfers to cover these deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance for governmental fund types (GAAP).
4. Prepaid items and negative cash advances to other funds are reported on the GAAP Basis but not on budgetary basis.
5. Adjustments to record investments at market value are reported on the balance sheet (GAAP basis) but not on budget basis.
6. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

Net Change in Fund Balance	
GAAP Basis	\$131,730
Revenue Accruals	(1,158,197)
Expenditure Accruals	(353,990)
Beginning:	
Prepaid Items	30,146
Adjustment to fair value of investment	(49,655)
Negative cash advances to other funds	41,873
Ending:	
Prepaid Items	(19,292)
Adjustment to fair value of investment	78,224
Negative cash advances to other funds	(152,653)
Advances In	13,316
To reclassify excess of revenues and other sources of financial resources over expenditures into financial statement fund types	(17,951)
Encumbrances	<u>(72,536)</u>
Budget Basis	<u><u>(\$1,528,985)</u></u>

Note 5 - 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;

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,078,913 of the School District's bank balance of \$7,449,396 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, 2014, the School District had the following investments. All investments are in an internal investment pool.

Zanesville City School District, Ohio

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

	<u>Fair Value</u>	<u>Maturity</u>	<u>S&P Rating</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank Bonds	\$1,098,820	6/13/2016	AA-	33.86%
Federal Home Loan Bank Bonds	649,916	6/19/2017	AA+	20.02%
Federal National Mortgage Assoc. Notes	997,320	7/25/2017	AA+	30.72%
STAR Ohio	<u>500,000</u>	51.4 Days	AAAm	<u>15.40%</u>
Totals	<u>\$3,246,056</u>			<u>100.00%</u>

Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. 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.

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 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Muskingum 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

At June 30, 2014, \$3,763,495 was available as an advance in the General Fund, \$661,810 in the Bond Retirement Debt Service Fund, and \$70,407 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2013, was \$2,505,513 in the General Fund, \$652,736 in the Bond Retirement Debt Service Fund, and \$46,624 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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$231,003,700	62.74%	\$229,990,470	62.29%
Commercial/Industrial and Public Utility Real	120,576,160	32.75%	121,449,440	32.89%
Public Utility Personal	<u>16,623,500</u>	<u>4.51%</u>	<u>17,784,650</u>	<u>4.82%</u>
Total Assessed Value	<u>\$368,203,360</u>	<u>100.00%</u>	<u>\$369,224,560</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$51.45		\$49.20	

Note 7 - Receivables

Receivables at June 30, 2014, consisted of property taxes, payment in lieu of taxes, accrued interest, accounts (rent, student fees and tuition), intergovernmental grants, and interfund receivable. 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 \$2,642,381 will not be collected within one year.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Ohio Department of Education - Foundation Adjustment	\$239,146
School Employees Retirement System Refund	10,015
Muskingum County	20
Metropolitan Educational Council Reimbursement	5,185
Ohio School Facilities - Phase II Construction	137,714
Grade 3 Reading Readiness Grant	22,000
Muskingum County Juvenile Detention Center Services	1,820
Food Service	55,813
Race to the Top Grant	221,745
Public Preschool Grant	18,636
Title VI-B Grant	157,132
Title I Grant	836,810
Title II-A Grant	183,318
Reading Recovery Grant	6,000
21st Century Grant	140,082
Total	<u>\$2,035,436</u>

Note 8 - Interfund Balances

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

	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	<u>\$698,714</u>	<u>\$15,429</u>
Other Nonmajor Governmental Funds:		
Miscellaneous State Grants	3,929	1,796
Title VI-B	0	3,265
Title I	11,500	43,368
Miscellaneous Federal Grants	0	150,285
Total Other Nonmajor Governmental Funds	<u>15,429</u>	<u>198,714</u>
Internal Service - Self Insurance		<u>500,000</u>
Total All Funds	<u>\$714,143</u>	<u>\$714,143</u>

Interfund balance 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; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization; and to segregate and to return money to the fund from which it was originally provided once a project is completed.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 9 - Capital Assets

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable Capital Assets				
Land	\$2,426,537	\$0	\$0	\$2,426,537
Land Improvements	68,107	0	0	68,107
Total Nondepreciable Capital Assets	<u>2,494,644</u>	<u>0</u>	<u>0</u>	<u>2,494,644</u>
Depreciable Capital Assets				
Buildings and Building Improvements	88,539,834	50,140	0	88,589,974
Improvements Other Than Buildings	3,608,427	107,883	0	3,716,310
Furniture, Fixtures, Equipment and Vehicles	4,554,736	154,970	0	4,709,706
Total at Estimated Historical Cost	<u>96,702,997</u>	<u>312,993</u>	<u>0</u>	<u>97,015,990</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(12,302,422)	(2,542,065)	0	(14,844,487)
Improvements Other Than Buildings	(1,545,110)	(179,845)	0	(1,724,955)
Furniture, Fixtures, Equipment and Vehicles	(2,429,638)	(346,706)	0	(2,776,344)
Total Accumulated Depreciation	<u>(16,277,170)</u>	<u>(3,068,616) *</u>	<u>0</u>	<u>(19,345,786)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>80,425,827</u>	<u>(2,755,623)</u>	<u>0</u>	<u>77,670,204</u>
Governmental Activities Capital Assets, Net	<u>\$82,920,471</u>	<u>(\$2,755,623)</u>	<u>\$0</u>	<u>\$80,164,848</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular Instruction	\$2,613,695
Support Services:	
Pupils	523
Instructional Staff	52,761
Board of Education	4,647
Administration	4,759
Fiscal	1,254
Operation and Maintenance of Plant	70,673
Pupil Transportation	106,040
Central	660
Operation of Non-instructional Services:	
Food Service Operations	60,886
Other	4,995
Extracurricular Activities	<u>147,723</u>
Total Depreciation Expense	<u>\$3,068,616</u>

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 10 - 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 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 visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$532,387, \$393,813, and \$723,085, respectively. For fiscal year 2014, 89.40 percent has been contributed, with the remaining being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,760,208 and \$16,525 for the fiscal year ended June 30, 2014, \$1,825,435 and \$10,715 for the fiscal year ended June 30, 2013, and \$1,679,452 and \$10,904 for the fiscal year ended June 30, 2012. For fiscal year 2014, 87.08 percent has been contributed for the DB plan and 87.20 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions to the DC and Combined Plans for fiscal year 2014 were \$16,525 made by the School District and \$12,984 made by the plan members. In addition, member contributions of \$8,404 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, there are two employees who have elected Social Security.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$73,718 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$82,037, \$69,788, and \$91,643, respectively. For fiscal year 2014, 6.00 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$31,049, \$21,525, and \$42,385, respectively. For fiscal year 2014, 89.46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$136,672, \$141,242, and \$130,027, respectively. For fiscal year 2014, 87.20 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 12 - 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 280 days for certified employees and up to 284 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 70 days. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to a maximum of 71 days. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance.

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 30th year. The benefit will be paid in one lump sum in January following the year of retirement. At June 30, 2014, there were eight teachers who were paid this incentive.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 13 - 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, 2014, is as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
Governmental Activities:					
2002 School Facilities Capital Appreciation					
Bonds - 5.375%:	\$172,393	\$0	(\$172,393)	\$0	\$0
Accretion	473,440	34,167	(507,607)	0	0
Premium	18,214	0	(18,214)	0	0
Total School Facilities Bonds	<u>664,047</u>	<u>34,167</u>	<u>(698,214)</u>	<u>0</u>	<u>0</u>
2011 School Improvement Refunding Bonds:					
Serial Bonds, \$16,680,000 - 2.0%-5.0%	16,545,000	0	0	16,545,000	985,000
Serial Bond Premium, \$806,489	691,277	0	(57,606)	633,671	0
Capital Appreciation Bonds - 2.85%	41,759	0	0	41,759	0
Capital Appreciation Bond Accretion	39,997	31,962	0	71,959	0
Capital Appreciation Bond Premium, \$249,939	214,233	0	(17,853)	196,380	0
Total 2011 School Improvement Refunding Bonds	<u>17,532,266</u>	<u>31,962</u>	<u>(75,459)</u>	<u>17,488,769</u>	<u>985,000</u>
2012 Refunding Bonds:					
Current Interest Bonds, \$10,000,000 - 2.0%-3.5%	9,585,000	0	0	9,585,000	0
Current Interest Bond Premium \$123,740	114,901	0	(8,839)	106,062	0
Current Interest Bond Discount, \$145,026	(134,667)	0	10,359	(124,308)	0
Capital Appreciation Bonds - 3.49% - 3.62%	1,910,000	0	0	1,910,000	0
Capital Appreciation Bond Accretion	142,462	135,015	0	277,477	0
Capital Appreciation Bond Premium, \$939,688	872,567	0	(67,121)	805,446	0
Total 2012 School Improvement Refunding Bonds	<u>12,490,263</u>	<u>135,015</u>	<u>(65,601)</u>	<u>12,559,677</u>	<u>0</u>
Total Bonds	<u>30,686,576</u>	<u>201,144</u>	<u>(839,274)</u>	<u>30,048,446</u>	<u>985,000</u>
Capital Lease	16,361	0	(9,380)	6,981	6,981
Compensated Absences	<u>1,582,285</u>	<u>201,752</u>	<u>(250,873)</u>	<u>1,533,164</u>	<u>152,382</u>
Total Long-Term Obligations	<u>\$32,285,222</u>	<u>\$402,896</u>	<u>(\$1,099,527)</u>	<u>\$31,588,591</u>	<u>\$1,144,363</u>

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 2002 bond issue included serial, term, and capital appreciation bonds in the amounts of \$8,275,000, \$25,900,000, and \$239,576, respectively. The bonds were sold at a premium of \$337,819 and a discount of \$41,540. These bonds were partially advance refunded during fiscal years 2011 and 2012, and the remainder will be retired from the Bond Retirement Debt Service Fund with a levy passed by the voters. The non-refunded portion of the 2002 capital appreciation bonds matured on December 1, 2013. These bonds were issued at a premium at the time of issuance. At maturity all compounded interest was paid and the bond holder received the face value of the bond. The maturity amount of the bonds was \$680,000.

On June 23, 2011, the School District issued \$16,721,759 in refunding bonds to retire \$16,722,183 of outstanding school improvement bonds. The refunded bonds were called and paid on December 1, 2012.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The 2011 capital appreciation bonds mature on December 1, 2017. 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 \$350,000. For fiscal year 2014, \$31,962 was accreted for a total bond liability of \$113,718.

During fiscal year 2012, the School District advance refunded some of the 2002 School Facilities General Obligation Term Bonds. The 2002 refunded bonds were originally issued for a twenty-five year period. On May 16, 2012, the School District issued \$11,910,000 of School Improvement General Obligation Refunding serial and capital appreciation bonds. These refunding bonds were sold with a total premium of \$123,740 that will be amortized over the term of the bonds, and a total discount of \$145,026 that will be amortized over the term of the bonds. \$12,623,342, (after premium, discount, underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 2002 bonds. During fiscal year 2013, the refunded 2012 School Improvement Refunding Bonds outstanding were called and paid in full and the escrow account was closed on December 3, 2013.

The 2012 capital appreciation bonds mature on December 1, 2027. 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 \$2,765,000. For fiscal year 2014, \$135,015 was accreted for a total bond liability of \$2,187,477.

The School District's overall legal debt margin at June 30, 2014, was \$8,709,315, with an unvoted debt margin of \$369,225.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

A summary of the School District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2014, follows:

Fiscal Years	Serial/Current Interest Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$985,000	\$913,925	\$0	\$0	\$985,000	\$913,925
2016	1,230,000	891,775	0	0	1,230,000	891,775
2017	1,565,000	862,513	41,759	308,241	1,606,759	1,170,754
2018	1,280,000	1,135,804	0	0	1,280,000	1,135,804
2019	1,705,000	784,925	0	0	1,705,000	784,925
2020-2024	10,090,000	2,867,938	0	0	10,090,000	2,867,938
2025-2029	7,330,000	1,069,238	1,910,000	855,000	9,240,000	1,924,238
2030	1,945,000	34,038	0	0	1,945,000	34,038
Totals	\$26,130,000	\$8,560,156	\$1,951,759	\$1,163,241	\$28,081,759	\$9,723,397

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 14 – Set-asides

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

Pursuant to State statute, the Board of Education expended all of the amounts previously set-aside for the budget reserve.

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	577,235
Current Year Qualifying Disbursements	(130,399)
Current Year Offsets	(187,946)
Prior Year Offset from Bond Proceeds	(258,890)
Total	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2014	<u>\$0</u>

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvements set-asides to zero. Effective July 1, 2011, House Bill 30, “The Unfunded Mandates Relief Act”, eliminated the requirement that school districts annually set-aside an amount per pupil into a textbook and instructional materials fund.

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 2002 general obligation bond proceeds, less the accumulated amount of debt proceeds used as an offset, is carried forward to future fiscal years until consumed.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 15 - 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 2014, 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	\$105,274,463	\$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	
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.

The School District participates in the workers' compensation program provided by the State of Ohio. The School District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 17). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group.

Zanesville City School District, Ohio

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

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

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

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

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 \$752,049 reported in the internal service fund at June 30, 2014, 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 \$10,498,480 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 Beginning of Fiscal Year</u>	<u>Current Fiscal Year Claims</u>	<u>Claim Payments</u>	<u>Balance End of Fiscal Year</u>
2013	\$593,769	\$7,239,677	\$7,359,791	\$473,655
2014	473,655	6,366,787	6,088,393	752,049

Note 16 - 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 Athens, 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.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The continued existence of TRECA is not dependent on the School District's continued participation and the School District does not have an equity interest in or financial responsibility for the Association. During 2014, the School District paid \$263,715 for services with TRECA. Financial information can be obtained from Mike Carder, who serves as Director, 100 Executive Drive, 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 fourteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting, and designating management. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2014, the School District made no contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

C. Metropolitan Educational Council (MEC)

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 280 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 57 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The School District participates in the insurance purchasing pool. The governing board of MEC is composed of a school administrator, a designated representative or a member of the board of education for each participating school district in Franklin County, and one representative from each county outside Franklin County. The governing board exercises total control over the operations of MEC including budgeting, appropriating, contracting, and designating management. MEC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for MEC. Financial statements for MEC can be obtained from the Metropolitan Educational Council, at 2100 Citygate Drive, Columbus, Ohio 43219. The School District made membership payments to MEC in fiscal year 2014 in the amount of \$1,796.

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2014, the School District's membership fee was \$325. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Zanesville City School District, Ohio

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

Note 17 - Insurance Purchasing Pools

A. Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program

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

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. The School District began participating in the program effective January 1, 2014. As of June 30, 2014, an additional assessment or premium refund cannot be reasonably estimated. The School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan prior to 2014. The School District paid \$2,900 in enrollment fees to the Program as of June 30, 2014.

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 2013, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, and dental coverage.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 18 - Significant Commitments

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

Governmental Funds:	
General Fund	\$73,787
Nonmajor Governmental Funds	<u>383,386</u>
Total Governmental Funds	<u><u>\$457,173</u></u>

Note 19 - Capitalized Leases

In prior fiscal years, the School District entered into a capitalized lease for a Ricoh copier from IKON. This lease meets the criteria of a capital lease which is defined as a lease which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

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, 2014.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$6,981	\$353	\$7,334

Principal payments in fiscal year 2014 totaled \$9,380 in the governmental funds. Book value related to this lease is as follows:

	<u>Governmental</u>
	<u>Activities</u>
Ricoh Copier	\$40,000
Less: Accumulated Depreciation	<u>(34,667)</u>
Total June 30, 2014	<u><u>\$5,333</u></u>

Note 20 - Related Party Transactions

For fiscal year 2014, the School District provided \$936,903 to the Zanesville Community High School, a discretely presented component unit, for administrative, fiscal, and student services. As of June 30, 2014, Zanesville Community High School has repaid all but \$123,517 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. In addition, Zanesville Community High School utilizes the facilities of the School District to provide instructional services.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 21 - 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 position. 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.

Note 22 - Contingencies

A. Grants

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

B. Litigation

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

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 112,670	\$ 112,670
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	440,460	440,460
National School Lunch Program	2013/2014	10.555	1,036,470	1,036,470
Summer Food Service Program for Children	2013/2014	10.559	127,025	127,025
Cash Assistance Subtotal			<u>1,603,955</u>	<u>1,603,955</u>
Total Child Nutrition Cluster			1,716,625	1,716,625
Child and Adult Care Food Program	2013/2014	10.558	<u>26,604</u>	<u>26,604</u>
Total U.S. Department of Agriculture			1,743,229	1,743,229
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	361,937 <u>1,521,805</u>	366,709 <u>1,522,679</u>
Total Title I Grants to Local Educational Agencies			1,883,742	1,889,388
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	2013 2014	84.027	128,983 <u>840,232</u>	125,749 <u>843,485</u>
Total Special Education - Grants to States (IDEA, Part B)			969,215	969,234
Special Education - Preschool Grants	2014	84.173	<u>19,712</u>	<u>19,712</u>
Total Special Education Cluster (IDEA)			988,927	988,946
Twenty-First Century Community Learning Centers	2013 2014	84.287	64,546 <u>259,918</u>	72,239 <u>264,425</u>
Total Twenty-First Century Community Learning Centers			324,464	336,664
Improving Teacher Quality State Grants	2013 2014	84.367	207,423 <u>396,951</u>	202,898 <u>422,653</u>
Total Improving Teacher Quality State Grants			604,374	625,551
ARRA - Race to the Top, Recovery Act:				
Race to the Top Incentives Grant	2013	84.395	158,495	117,100
Race to the Top Technology Grant	2013		2,962	2,507
Race to the Top Incentives Grant	2014		318,687	349,030
Race to the Top Resident Educator Grant	2014		2,800	2,800
Race to the Top Technology Grant	2014		<u>138,103</u>	<u>226,046</u>
Total ARRA - Race to the Top, Recovery Act			621,047	697,483
Total U.S. Department of Education			<u>4,422,554</u>	<u>4,538,032</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 6,165,783</u>	<u>\$ 6,281,261</u>

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

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the School District's federal award programs' receipts and expenditures. 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.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Zanesville City School District's, Muskingum County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings and Questioned Costs as finding 2014-001. This finding did not require us to modify our compliance opinion on each major federal program.

The School District's response to our noncompliance finding is described in the accompanying Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2014-001 to be a material weakness.

The School District's response to our internal control over compliance finding is described in the accompanying Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

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**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies – CFDA No. 84.010 • Special Education Cluster – CFDA Nos. 84.027 and 84.173 • Improving Teacher Quality State Grants, CFDA No. 84.367 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2014-001
CFDA Title and Number	Title I Grants to Local Educational Agencies, CFDA No. 84.010
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance, Material Weakness and Questioned Cost – Period of Availability

34 CFR Part 74.28 provides that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Secretary. The Ohio Department of Education (ODE) 2014 Continuous Comprehensive Improvement Planning (CCIP) Competitive Application for the Title I Grant defined the available period as July 1, 2013 to June 30, 2014.

The School District charged non-payroll related costs to the 2014 Title I grant which were liquidated prior to September 30, 2014, but were obligated after June 30, 2014 in the amount of \$14,705.

As a result of the matter noted above, we have identified a total of \$14,705 of known questioned costs for the non-payroll related obligations incurred after June 30, 2014 allocated to the 2014 Title I grant.

We recommend the School District use grant funds only for expenditures obligated during the period of availability. All expenditures should be reviewed to ensure that they were obligated within the appropriate period prior to being approved for payment from federal grant awards.

Officials' Response: See Corrective Action Plan.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	A noncompliance citation was issued under Ohio Rev. Code § 5705.41(D)(1) concerning the proper certification of funds prior to obligation.	No	Not Corrected. Reported in separate letter to management for the current year.
2013-002 and 2012-02	A material noncompliance citation and material weakness was issued under 34 CFR Part 80.21(c) for failure to timely expend advances of grant funds.	Yes	

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The Title Director will monitor expenditures, in collaboration with the Treasurer, to ensure obligations are paid in the appropriate period of availability for which the grant was received.	June 30, 2015	Treasurer



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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2015**