

**ZANESVILLE CITY SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**SINGLE AUDIT**

**JULY 1, 2022 – JUNE 30, 2023**



**WILSON, SHANNON & SNOW**  
**INC.**  
CPAs & ADVISORS



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPARepor@ohioauditor.gov  
(800) 282-0370

Board of Education  
Zanesville City School District  
956 Moxahala Avenue  
Zanesville, OH 43701

We have reviewed the *Independent Auditor's Report* of Zanesville City School District, Muskingum County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Zanesville City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

March 15, 2024

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**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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MUSKINGUM COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Zanesville City School District  
Muskingum County  
956 Moxahala Avenue  
Zanesville, Ohio 43701

To the Board of Education:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio (the District), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Miscellaneous Federal Grants funds for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities/assets and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



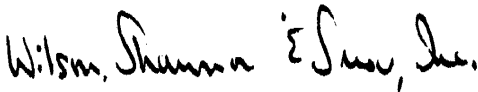
***Supplementary information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Newark, Ohio  
January 24, 2024

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# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

*Unaudited*

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This discussion and analysis of Zanesville City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2023 are as follows:

- ❑ Net position increased \$9,020,446, or 47.6% during fiscal year 2023.
- ❑ General revenues and an extraordinary item accounted for \$43,975,356 of revenue or 67% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$21,663,588 or 33% of total revenues of \$65,638,944.
- ❑ The District had \$56,618,498 in expenses related to governmental activities; only \$21,663,588 of these expenses were offset by program specific charges for services and sales, operating grants or contributions. General revenues and an extraordinary item of \$43,975,356 also provided for these programs.
- ❑ The general fund had \$47,005,531 in revenues, other financing sources and an extraordinary item and \$42,886,041 in expenditures and other financing uses. The general fund's fund balance increased \$4,119,490 to an ending balance of \$14,242,035.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth, and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- *Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

**Governmental Funds** – Most of the 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 District's general government 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** – The District uses an internal service fund to report activities that provide services for the District's other programs and activities. The District's medical, dental, and prescription drug self insurance program is reported in an internal service fund. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

**Unaudited**

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net position for fiscal year 2023 compared to fiscal year 2022.

	Governmental Activities	
	2023	2022
Current and Other Assets	\$36,664,644	\$31,709,414
Net OPEB Asset	3,646,817	2,898,766
Capital Assets, Net	60,788,959	60,059,895
Total Assets	<u>101,100,420</u>	<u>94,668,075</u>
Deferred Outflows of Resources	11,287,881	10,999,245
Net Pension Liability	41,024,280	24,398,444
Net OPEB Liability	2,562,495	3,561,124
Other Long-term Liabilities	18,045,545	20,058,122
Other Liabilities	6,429,699	7,142,352
Total Liabilities	<u>68,062,019</u>	<u>55,160,042</u>
Deferred Inflows of Resources	16,358,048	31,559,490
Net Position		
Net Investment in Capital Assets	46,931,004	42,226,050
Restricted	9,517,271	7,204,535
Unrestricted	<u>(28,480,041)</u>	<u>(30,482,797)</u>
Total Net Position	<u>\$27,968,234</u>	<u>\$18,947,788</u>

The net pension liability is reported by the District pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability/asset is reported by the District pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB and the net OPEB asset.

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

*Unaudited*

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability/asset. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability/asset are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

***Unaudited***

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

Changes in Net Position – The following table shows the changes in net position for fiscal year 2023 compared to fiscal year 2022:

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	2023	2022	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,464,254	\$1,324,829	\$139,425
Operating Grants and Contributions	20,199,334	16,721,475	3,477,859
Total Program Revenues	<u>21,663,588</u>	<u>18,046,304</u>	<u>3,617,284</u>
General Revenues and Extraordinary Item:			
Property Taxes	12,203,909	12,211,225	(7,316)
Grants and Entitlements	24,490,538	24,282,473	208,065
Investment Earnings	239,007	(101,993)	341,000
Miscellaneous	1,561,876	1,626,156	(64,280)
Extraordinary Item: Insurance Recovery	5,480,026	0	5,480,026
Total General Revenues and Extraordinary Item	<u>43,975,356</u>	<u>38,017,861</u>	<u>5,957,495</u>
Total Revenues	<u>65,638,944</u>	<u>56,064,165</u>	<u>9,574,779</u>
Program Expenses			
Instruction:			
Regular	19,322,917	16,924,807	2,398,110
Special	13,026,488	11,322,112	1,704,376
Vocational	124,397	140,863	(16,466)
Intervention	232,083	315,837	(83,754)
Support Services:			
Pupils	2,887,069	2,414,250	472,819
Instructional Staff	1,363,113	1,680,539	(317,426)
Board of Education	103,474	142,342	(38,868)
Administration	3,634,637	3,363,267	271,370
Fiscal Services	739,068	786,737	(47,669)
Operation and Maintenance of Plant	5,262,598	4,962,779	299,819
Pupil Transportation	1,839,464	1,692,935	146,529
Central	2,159,065	1,303,451	855,614
Operation of Non-Instructional:			
Food Service Operations	3,163,768	2,716,791	446,977
Other	1,483,859	1,446,815	37,044
Extracurricular Activities	902,209	958,600	(56,391)
Interest and Fiscal Charges	374,289	423,807	(49,518)
Total Expenses	<u>56,618,498</u>	<u>50,595,932</u>	<u>6,022,566</u>
Change in Net Position	9,020,446	5,468,233	3,552,213
Beginning Net Position	<u>18,947,788</u>	<u>13,479,555</u>	<u>5,468,233</u>
Ending Net Position	<u>\$27,968,234</u>	<u>\$18,947,788</u>	<u>\$9,020,446</u>

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

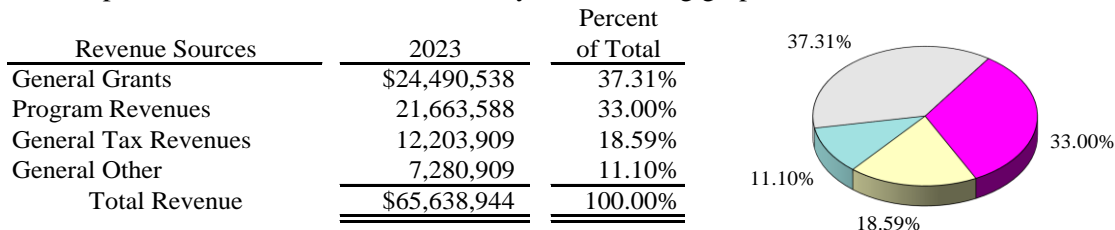
**Unaudited**

**Governmental Activities**

Net position of the District's governmental activities increased \$9,020,446, which can be attributed mainly to changes in the net pension and net OPEB liabilities/asset and an insurance recovery. Increases in operating grant revenues can be attributed to various COVID 19 funds received. The District refunded bonds in 2019 and 2022 resulting in lower interest expenses in 2023 related to the debt for new school buildings.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, 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 18.59% of revenues for Zanesville City Schools in fiscal year 2023. The District's reliance upon tax revenues is demonstrated by the following graph:



**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$18,063,069, which is above last fiscal year's balance of \$14,093,908. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2023 and 2022.

	Fund Balance (Deficit) <u>June 30, 2023</u>	Fund Balance (Deficit) <u>June 30, 2022</u>	Increase (Decrease) <u></u>
General	\$14,242,035	\$10,122,545	\$4,119,490
Miscellaneous Federal Grants	(757,235)	(834,047)	76,812
Bond Retirement	3,124,461	2,977,381	147,080
Other Governmental	1,453,808	1,828,029	(374,221)
Total	\$18,063,069	\$14,093,908	\$3,969,161



## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

**Unaudited**

*General Fund* – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2023 <u>Revenues</u>	2022 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$10,224,667	\$10,267,064	(\$42,397)
Tuition	583,733	458,307	125,426
Investment Earnings	238,615	(102,032)	340,647
Extracurricular Activities	96,735	93,359	3,376
Intergovernmental	28,732,369	28,075,634	656,735
All Other Revenue	1,561,876	1,626,156	(64,280)
Total	<u>\$41,437,995</u>	<u>\$40,418,488</u>	<u>\$1,019,507</u>

General Fund revenues in fiscal year 2023 increased 2.5% compared to revenues in fiscal year 2022. The increase in investment earnings can be attributed to higher invested balances and interest rates. The increase in intergovernmental revenues can be attributed to a change in the state funding formula for 2023 and less COVID related grant revenues.

	2023 <u>Expenditures</u>	2022 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Instruction:			
Regular	\$15,053,923	\$14,424,649	\$629,274
Special	8,408,899	8,352,193	56,706
Vocational	121,354	117,126	4,228
Intervention	212,605	348,481	(135,876)
Supporting Services:			
Pupils	2,631,753	2,197,405	434,348
Instructional Staff	798,017	938,328	(140,311)
Board of Education	103,981	142,679	(38,698)
Administration	3,487,480	3,552,166	(64,686)
Fiscal Services	689,815	750,269	(60,454)
Operation and Maintenance of Plant	6,446,085	4,330,928	2,115,157
Pupil Transportation	1,745,324	1,537,133	208,191
Central	788,735	778,100	10,635
Operation of Non-Instructional:			
Other	1,169,118	1,160,416	8,702
Extracurricular Activities	594,003	644,105	(50,102)
Capital Outlay	87,510	0	87,510
Debt Service			
Principal Retirement	139,549	92,930	46,619
Interest and Fiscal Charges	7,890	7,634	256
Total	<u>\$42,486,041</u>	<u>\$39,374,542</u>	<u>\$3,111,499</u>

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

Unaudited

General Fund expenditures increased \$3,111,499, or approximately 7.9%. Regular Instruction increased in 2023 due to a change in the state funding formula and the District no longer records expenditures for open enrollment out or community schools. Special Instruction expenditures increased over 2022 levels as the number of students receiving these services has increased. Various expenditure functions changed due to reallocation of expenditures with the receipt of COVID 19 grant monies and new funds.

*Miscellaneous Federal Grant Fund* – This fund reported an increase in fund balance of 9.2% mainly due to the timing of the reimbursement of federal expenditures.

*Bond Retirement Fund* – The Bond Retirement Fund reported an increase in fund balance of 4.9%. This fund will vary fiscal year to fiscal year dependent upon the required debt service.

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

During the course of fiscal year 2023 the District amended its General Fund budget several times.

For the General Fund, final revenue estimates increased from original revenue estimates due to changes to the state funding formula put in place in December 2022. Final budgeted expenditures increased \$5,599,453 when compared to original budgeted amounts. The General Fund had an adequate fund balance to cover expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2023 the District had \$60,788,959 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment, vehicles and SBITA assets. The following table shows fiscal year 2023 and 2022 balances:

	Governmental Activities		Increase (Decrease)
	2023	2022	
Land	\$2,030,284	\$2,030,284	\$0
Land Improvements	68,107	68,107	0
Construction in Progress	2,621,959	69,637	2,552,322
Buildings and Building Improvements	89,812,818	89,801,254	11,564
Improvements Other Than Buildings	4,695,665	4,271,221	424,444
Furniture, Fixtures, Equipment & Vehicles	6,848,975	6,176,499	672,476
SBITA Assets	425,271	0	425,271
Less: Accumulated Depreciation	(45,714,120)	(42,357,107)	(3,357,013)
<b>Totals</b>	<b>\$60,788,959</b>	<b>\$60,059,895</b>	<b>\$729,064</b>

Significant capital asset activity consisted of construction in progress and furniture, fixtures, equipment and vehicles. Additional information on the District's capital assets can be found in Note 9.

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

*Unaudited*

## **Debt and Other Long-term Obligations**

The following table summarizes the District's debt outstanding as of June 30, 2023 and 2022:

	2023	2022
<b>Governmental Activities:</b>		
General Obligation Bonds	\$15,641,879	\$17,802,546
Lease	4,580	31,299
SBITA Payable	183,899	0
Compensated Absences	2,215,187	2,227,277
<b>Totals</b>	<b>\$18,045,545</b>	<b>\$20,061,122</b>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2023, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

## **ECONOMIC FACTORS**

During fiscal year 2023, the District did not receive all revenues with regards to the current Ohio Department of Education funding formula. This means that although the new funding formula indicates a certain revenue amount allocated for the District, the percentage of increase from prior year to current year funding was limited or "capped" at percentages outlined in each two-year biennium State budget. For fiscal year 2023, the District originally received a 16% increase of the difference over fiscal year 2022.

The Board of Education and Administration of the District must maintain careful financial planning and prudent fiscal management in order to ensure financial stability. Based on the most recent Board-adopted five year forecast, the District is projecting a significant deficit for fiscal year 2024 due to roof replacements from a hail storm in 2022; a slight surplus for fiscal year 2025 and deficits each year for fiscal years 2026 through 2028.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the 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, 956 Moxahala Ave, Zanesville, Ohio 43701. You may also email the Treasurer at [myoung@zanesville.k12.oh.us](mailto:myoung@zanesville.k12.oh.us).

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

### **Statement of Net Position June 30, 2023**

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental	Zanesville
	Activities	Community High School
<b>Assets:</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 15,966,012	\$ 1,481,588
Cash and Cash Equivalents in Segregated Accounts	386,258	0
Receivables:		
Taxes	13,317,283	0
Intergovernmental	6,683,450	128,821
Due from Component Unit	109,673	0
Inventory Held for Resale	18,711	0
Materials and Supplies Inventory	932	0
Prepaid Items	162,023	1,176
Restricted Assets:		
Cash and Cash Equivalents	20,302	0
Net OPEB Asset	3,646,817	0
Capital Assets Not Being Depreciated	4,720,350	0
Capital Assets Being Depreciated, Net	56,068,609	2,903
<b>Total Assets</b>	<u>101,100,420</u>	<u>1,614,488</u>
<b>Deferred Outflows of Resources:</b>		
Pension	10,090,018	0
OPEB	1,197,863	0
<b>Total Deferred Outflows of Resources</b>	<u>11,287,881</u>	<u>0</u>
<b>Liabilities:</b>		
Accounts Payable	191,003	0
Accrued Wages and Benefits	4,816,704	0
Intergovernmental Payable	750,185	0
Claims Payable	636,640	0
Due to Primary Government	0	109,673
Accrued Interest Payable	35,167	0
Long Term Liabilities:		
Due Within One Year	2,583,446	0
Due in More Than One Year:		
Net Pension Liability	41,024,280	0
Net OPEB Liability	2,562,495	0
Other Amounts Due in More Than One Year	15,462,099	0
<b>Total Liabilities</b>	<u>68,062,019</u>	<u>109,673</u>

(Continued)

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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	Primary Government	Component Unit
	Governmental	Zanesville
	Activities	Community High
		School
<b>Deferred Inflows of Resources:</b>		
Property Taxes	6,375,443	0
Pension	3,886,899	0
OPEB	6,095,706	0
<b>Total Deferred Inflows of Resources</b>	<b>16,358,048</b>	<b>0</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	46,931,004	2,903
Restricted For:		
Capital Projects	381,805	0
Debt Service	3,414,370	0
Unclaimed Monies	20,302	0
Athletics and Music	200,013	0
Grants	4,620,401	0
Scholarships	75,337	0
Classroom Facilities Maintenance	805,043	0
Unrestricted (Deficit)	(28,480,041)	1,501,912
<b>Total Net Position</b>	<b>\$ 27,968,234</b>	<b>\$ 1,504,815</b>

See accompanying notes to the basic financial statements

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

### Statement of Activities For the Fiscal Year Ended June 30, 2023

	Net (Expense) Revenue and Changes in Net Position			
	Program Revenues			Primary
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
				Component Unit
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 19,322,917	\$ 686,491	\$ 1,896,212	\$ (16,740,214)
Special	13,026,488	144,419	8,220,547	(4,661,522)
Vocational	124,397	0	232,122	107,725
Intervention	232,083	0	0	(232,083)
Support Services:				
Pupils	2,887,069	142	865,847	(2,021,080)
Instructional Staff	1,363,113	25,905	760,338	(576,870)
Board of Education	103,474	0	0	(103,474)
Administration	3,634,637	7,593	238,414	(3,388,630)
Fiscal Services	739,068	0	0	(739,068)
Operation and Maintenance of Plant	5,262,598	61,200	2,147,306	(3,054,092)
Pupil Transportation	1,839,464	0	229,687	(1,609,777)
Central	2,159,065	0	2,268,206	109,141
Operation of Non-Instructional Services:				
Food Service Operations	3,163,768	122,109	3,032,879	(8,780)
Other	1,483,859	10,884	307,776	(1,165,199)
Extracurricular Activities	902,209	405,511	0	(496,698)
Interest and Fiscal Charges	374,289	0	0	(374,289)
<b>Total Primary Government</b>	<b>56,618,498</b>	<b>1,464,254</b>	<b>20,199,334</b>	<b>(34,954,910)</b>
<b>Component Unit:</b>				
Zanesville Community High School	\$ 1,437,759	\$ 16,199	\$ 362,458	\$ (1,059,102)
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes			9,899,635	0
Debt Service			2,133,148	0
Other Purposes			171,126	0
Grants and Entitlements not Restricted to Specific Programs			24,490,538	1,580,785
Investment Earnings			239,007	0
Miscellaneous			1,561,876	0
Extraordinary Item: Insurance Recovery			5,480,026	0
Total General Revenues and Extraordinary Item			43,975,356	1,580,785
Change in Net Position			9,020,446	521,683
Net Position Beginning of Year			18,947,788	983,132
Net Position End of Year			\$ 27,968,234	\$ 1,504,815

See accompanying notes to the basic financial statements

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## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

### **Balance Sheet Governmental Funds June 30, 2023**

	General	Miscellaneous Federal Grants	Bond Retirement
<b>Assets:</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 11,572,428	\$ 0	\$ 2,225,942
Receivables:			
Taxes	10,767,654	0	2,361,840
Intergovernmental	23,860	5,826,229	0
Due from Component Unit	109,673	0	0
Interfund Loan Receivable	1,480,642	0	0
Materials and Supplies Inventory	0	0	0
Inventory Held for Resale	0	0	0
Prepaid Items	144,175	1,671	0
Restricted Assets:			
Cash and Cash Equivalents	20,302	0	0
Advance to Other Funds	1,400,000	0	0
<b>Total Assets</b>	<u>\$ 25,518,734</u>	<u>\$ 5,827,900</u>	<u>\$ 4,587,782</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 118,171	\$ 19,870	\$ 0
Accrued Wages and Benefits	3,970,392	133,686	0
Intergovernmental Payable	590,829	15,757	0
Interfund Loans Payable	0	1,272,629	0
Compensated Absences Payable	30,557	0	0
<b>Total Liabilities</b>	<u>4,709,949</u>	<u>1,441,942</u>	<u>0</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	1,420,922	5,143,193	325,076
Property Tax Levy for Next Fiscal Year	5,145,828	0	1,138,245
<b>Total Deferred Inflows of Resources</b>	<u>6,566,750</u>	<u>5,143,193</u>	<u>1,463,321</u>
<b>Fund Balances:</b>			
Nonspendable	1,564,477	1,671	0
Restricted	0	0	3,124,461
Assigned	63,511	0	0
Unassigned	12,614,047	(758,906)	0
<b>Total Fund Balances</b>	<u>14,242,035</u>	<u>(757,235)</u>	<u>3,124,461</u>
<b>Total Liabilities, Deferred Inflows of Resources and Funds Balances</b>	<u>\$ 25,518,734</u>	<u>\$ 5,827,900</u>	<u>\$ 4,587,782</u>

See accompanying notes to the basic financial statements



**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 2,167,642	\$ 15,966,012
187,789	13,317,283
833,361	6,683,450
0	109,673
0	1,480,642
932	932
18,711	18,711
82,407	228,253
0	20,302
0	1,400,000
\$ 3,290,842	\$ 39,225,258
\$ 52,962	\$ 191,003
712,626	4,816,704
143,599	750,185
208,013	1,480,642
0	30,557
1,117,200	7,269,091
628,464	7,517,655
91,370	6,375,443
719,834	13,893,098
83,339	1,649,487
1,449,599	4,574,060
381,805	445,316
(460,935)	11,394,206
1,453,808	18,063,069
\$ 3,290,842	\$ 39,225,258

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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***Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2023***

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<b>Total Governmental Fund Balances</b>		\$ 18,063,069
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		60,722,729
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		7,517,655
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	10,090,018	
Deferred Inflows - Pension	(3,886,899)	
Net Pension Liability	(41,024,280)	(34,821,161)
The net OPEB liability/asset is not due and payable nor available in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - OPEB	1,197,863	
Deferred Inflows - OPEB	(6,095,706)	
Net OPEB Asset	3,646,817	
Net OPEB Liability	(2,562,495)	(3,813,521)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
SBITA Payable	(183,899)	
2012 School Improvement Refunding Bonds	(4,083,760)	
2019 School Improvement Refunding Bonds	(3,943,875)	
2021 School Improvement Refunding Bonds	(7,614,244)	
Leases Payable	(4,580)	
Compensated Absences Payable	(2,184,630)	
Accrued Interest Payable	(35,167)	(18,050,155)
The internal service fund is used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		(1,650,382)
<b><i>Net Position of Governmental Activities</i></b>		<b>\$ 27,968,234</b>

See accompanying notes to the basic financial statements

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## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

### **Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2023**

	General	Miscellaneous Federal Grants	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 10,224,667	\$ 0	\$ 2,223,643	\$ 176,869	\$ 12,625,179
Tuition	583,733	0	0	0	583,733
Investment Earnings	238,615	0	0	392	239,007
Food Services	0	0	0	122,109	122,109
Extracurricular Activities	96,735	0	0	283,543	380,278
Intergovernmental	28,732,369	5,700,424	429,353	7,298,318	42,160,464
All Other Revenue	1,561,876	0	0	378,134	1,940,010
<b>Total Revenue</b>	<b>41,437,995</b>	<b>5,700,424</b>	<b>2,652,996</b>	<b>8,259,365</b>	<b>58,050,780</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	15,053,923	1,172,400	0	190,401	16,416,724
Special	8,408,899	591,909	0	3,825,898	12,826,706
Vocational	121,354	0	0	0	121,354
Intervention	212,605	0	0	0	212,605
Supporting Services:					
Pupils	2,631,753	93,285	0	157,797	2,882,835
Instructional Staff	798,017	397,790	0	217,244	1,413,051
Board of Education	103,981	0	0	0	103,981
Administration	3,487,480	117,878	0	76,542	3,681,900
Fiscal Services	689,815	0	54,116	4,196	748,127
Operation & Maintenance of Plant	6,446,085	1,392,213	0	381,298	8,219,596
Pupil Transportation	1,745,324	122,210	0	65,724	1,933,258
Central	788,735	1,553,460	0	0	2,342,195
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	3,166,856	3,166,856
Other	1,169,118	57,437	0	301,498	1,528,053
Extracurricular Activities	594,003	0	0	185,548	779,551
Capital Outlay	87,510	232,484	0	78,631	398,625
Debt Service:					
Principal Retirement	139,549	113,407	1,990,000	19,047	2,262,003
Interest & Fiscal Charges	7,890	11,623	461,800	1,953	483,266
<b>Total Expenditures</b>	<b>42,486,041</b>	<b>5,856,096</b>	<b>2,505,916</b>	<b>8,672,633</b>	<b>59,520,686</b>
Excess (Deficiency) of Revenues					
Over Expenditures	(1,048,046)	(155,672)	147,080	(413,268)	(1,469,906)

(Continued)

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

	General	Miscellaneous Federal Grants	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>					
Transfers Out	(400,000)	0	0	0	(400,000)
Other Financing Source - SBITA	87,510	232,484	0	39,047	359,041
<b>Total Other Financing Sources (Uses)</b>	<u>(312,490)</u>	<u>232,484</u>	<u>0</u>	<u>39,047</u>	<u>(40,959)</u>
<b>Extraordinary Item - Insurance Recovery</b>	5,480,026	0	0	0	5,480,026
Net Change in Fund Balance	4,119,490	76,812	147,080	(374,221)	3,969,161
<b>Fund Balances (Deficits) at Beginning of Year</b>	<u>10,122,545</u>	<u>(834,047)</u>	<u>2,977,381</u>	<u>1,828,029</u>	<u>14,093,908</u>
<b>Fund Balances (Deficits) End of Year</b>	<u>\$ 14,242,035</u>	<u>\$ (757,235)</u>	<u>\$ 3,124,461</u>	<u>\$ 1,453,808</u>	<u>\$ 18,063,069</u>

See accompanying notes to the basic financial statements

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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***Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Fiscal Year Ended June 30, 2023***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 3,969,161

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 662,834

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,108,138

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 3,904,906

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (4,212,926)

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB income/(expense) in the statement of activities. 776,260

The issuance of long-term debt (e.g. SBITA) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 1,902,962

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due. 8,452

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

Compensated Absences	42,647	
Interest Accretion	(239,758)	
Amortization of Bond Premiums	340,283	143,172

The internal service fund, which is used by management to charge the costs of services to individual funds, is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (242,513)

***Change in Net Position of Governmental Activities*** **\$ 9,020,446**

See accompanying notes to the basic financial statements

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## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 10,536,811	\$ 10,329,129	\$ 10,329,129	\$ 0
Tuition	375,000	575,000	582,357	7,357
Investment Earnings	100,000	250,000	284,048	34,048
Intergovernmental	27,515,996	28,529,117	28,772,637	243,520
All Other Revenues	1,432,501	1,469,499	1,546,326	76,827
Total Revenues	39,960,308	41,152,745	41,514,497	361,752
<b>Expenditures:</b>				
Current:				
Regular	14,128,378	15,044,086	15,019,633	24,453
Special	8,449,467	8,539,063	8,370,848	168,215
Vocational	121,265	122,441	120,932	1,509
Intervention	217,452	237,483	234,308	3,175
Support Services:				
Pupils	2,400,189	2,592,189	2,561,118	31,071
Instructional Staff	887,763	897,712	840,621	57,091
Board of Education	92,849	96,049	94,963	1,086
Administration	3,402,548	3,510,923	3,463,316	47,607
Fiscal Services	696,744	697,449	690,207	7,242
Operation and Maintenance of Plant	6,659,015	9,582,047	6,674,069	2,907,978
Pupil Transportation	1,526,595	1,724,232	1,698,282	25,950
Central	740,987	820,798	814,740	6,058
Operation of Non-Instructional Services:				
Other	1,186,167	1,417,795	1,165,837	251,958
Extracurricular Activities	428,235	484,840	484,736	104
Total Expenditures	40,937,654	45,767,107	42,233,610	3,533,497
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(977,346)	(4,614,362)	(719,113)	3,895,249

(Continued)



**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(22,500)	(400,000)	(400,000)	0
Advances In	0	0	400,000	400,000
Advances Out	(307,500)	(700,000)	(700,000)	0
Total Other Financing Sources (Uses):	<u>(330,000)</u>	<u>(1,100,000)</u>	<u>(700,000)</u>	<u>400,000</u>
<b>Extraordinary Item - Insurance Recovery</b>	0	5,476,185	5,480,026	3,841
Net Change in Fund Balance	(1,307,346)	(238,177)	4,060,913	4,299,090
Fund Balance at Beginning of Year	9,042,021	9,042,021	9,042,021	0
Prior Year Encumbrances	137,317	137,317	137,317	0
Fund Balance at End of Year	<u>\$ 7,871,992</u>	<u>\$ 8,941,161</u>	<u>\$ 13,240,251</u>	<u>\$ 4,299,090</u>

See accompanying notes to the basic financial statements

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Miscellaneous Federal Grants Fund  
For the Fiscal Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 23,368,324	\$ 23,132,493	\$ 5,523,757	\$ (17,608,736)
Total Revenues	<u>23,368,324</u>	<u>23,132,493</u>	<u>5,523,757</u>	<u>(17,608,736)</u>
<b>Expenditures:</b>				
Current:				
Regular	3,513,913	3,597,851	1,373,505	2,224,346
Special	2,136,544	1,214,373	704,132	510,241
Support Services:				
Pupils	267,959	189,950	104,059	85,891
Instructional Staff	306,652	949,277	1,217,374	(268,097)
Administration	53,500	109,612	102,888	6,724
Operation and Maintenance of Plant	13,762,131	14,552,863	1,403,352	13,149,511
Pupil Transportation	892,159	128,315	123,080	5,235
Central	1,443,547	1,568,547	1,554,904	13,643
Operation of Non-Instructional Services:				
Food Service Operations	110,103	0	0	0
Other	181,234	121,123	61,349	59,774
Total Expenditures	<u>22,667,742</u>	<u>22,431,911</u>	<u>6,644,643</u>	<u>15,787,268</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	700,582	700,582	(1,120,886)	(1,821,468)
Fund Balance at Beginning of Year	(3,026,712)	(3,026,712)	(3,026,712)	0
Prior Year Encumbrances	2,326,130	2,326,130	2,326,130	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,821,468)</u>	<u>\$ (1,821,468)</u>

See accompanying notes to the basic financial statements

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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***Statement of Net Position  
Proprietary Funds  
June 30, 2023***

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	<u>Governmental Activities - Internal Service Funds</u>
<b>Assets:</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents in Segregated Accounts	\$ 386,258
<b>Total Assets</b>	<u>386,258</u>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Claims Payable	<u>636,640</u>
<i>Total Current Liabilities</i>	636,640
<i>Long Term Liabilities:</i>	
Advances from Other Funds	<u>1,400,000</u>
<b>Total Liabilities</b>	<u>2,036,640</u>
<b>Net Position:</b>	
Unrestricted	<u>(1,650,382)</u>
<b>Total Net Position</b>	<u>\$ (1,650,382)</u>

See accompanying notes to the basic financial statements

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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***Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2023***

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	Governmental Activities - Internal Service Funds
<b>Operating Revenues:</b>	
Charges for Services	\$ 10,093,222
<b>Total Operating Revenues</b>	<u>10,093,222</u>
<b>Operating Expenses:</b>	
Contractual Services	1,320,972
Claims Expense	9,414,763
<b>Total Operating Expenses</b>	<u>10,735,735</u>
Net Loss before Transfers	(642,513)
Transfers In	<u>400,000</u>
Change in Net Position	(242,513)
Net Position Beginning of Year	<u>(1,407,869)</u>
Net Position End of Year	<u>\$ (1,650,382)</u>

See accompanying notes to the basic financial statements

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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**Statement of Cash Flows**

**Proprietary Funds**

**For the Fiscal Year Ended June 30, 2023**

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	Governmental Activities - Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$ 10,093,222
Cash Payments for Services	(1,320,972)
Cash Payments for Claims	(9,617,297)
Net Cash Used by Operating Activities	<u>(845,047)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In	400,000
Advances In	700,000
Advances Out	(400,000)
Net Cash Provided by Noncapital Financing Activities	<u>700,000</u>
Net Decrease in Cash and Cash Equivalents	(145,047)
Cash and Cash Equivalents at Beginning of Year	531,305
Cash and Cash Equivalents at End of Year	<u><u>\$386,258</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$642,513)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Claims Payable	(202,534)
Net Cash Used by Operating Activities	<u><u>\$ (845,047)</u></u>

See accompanying notes to the basic financial statements

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Zanesville City School District (the 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 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 District was established in 1849 when the first Zanesville High School was built with an enrollment of 50 students. The District serves the City of Zanesville and is located in Muskingum County. The District is staffed by 239 classified employees and 286 certificated full-time teaching personnel and administrative employees providing education to 3,065 students. The District currently operates six instructional buildings, one administrative building, and one garage.

#### **A. 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 District are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Zanesville City School District, this includes general operations, food service, preschool, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the 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 District's component unit, Zanesville Community High School. It is reported separately to emphasize that it is legally separate from the District.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **A. Reporting Entity (Continued)**

***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 District (Zanesville Community High School's sponsor), is to help at-risk students meet Ohio's graduation requirements. The Zanesville Community High School focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Zanesville Community High School serves high school age students who have dropped out or are at risk of dropping out of school. A particular emphasis is placed on assisting parents and/or pregnant students obtain a high school diploma.

The Zanesville Community High School operates under the direction of a six-member Governing Authority made up of six 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, 956 Moxahala Avenue, Zanesville, Ohio 43701.

The District participates in two insurance purchasing pools and three jointly governed organizations and. These organizations are the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program, the Ohio School Benefits Cooperative (OSBC), META Solutions, Mid-East Career and Technology Centers, Coalition of Rural and Appalachian Schools,. These organizations are presented in Notes 16 and 17 to the basic financial statements.

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

**Miscellaneous Federal Grants Fund** - This fund accounts for federal monies related to COVID-19 relief and various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere.

**Bond Retirement Fund** - To account for resources that are used for payment of principal, interest, and fiscal charges on general obligation debt.

***Proprietary Funds*** - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

**Internal Service Fund** - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The District's 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

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

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. 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 District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements**

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, (i.e., both measurable and available). The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2023, and which are not intended to finance fiscal year 2023 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and the proprietary fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

***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.

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **D. Basis of Accounting** (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

#### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year.

All funds are legally required to be budgeted and appropriated; however, only the General Fund and major special revenue funds are required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

##### 1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **E. Budgetary Process** (Continued)

##### 2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the fiscal year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2023.

##### 3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each fiscal year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each fiscal year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the fiscal year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the fiscal year. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

##### 4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**5. Basis of Budgeting**

The District's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Miscellaneous Federal Grants Fund:

	Net Change in Fund Balance	
	General Fund	Miscellaneous Federal Grants
GAAP Basis (as reported)	\$4,119,490	\$76,812
Increase (Decrease):		
Accrued Revenues at June 30, 2023, received during FY 2024	(5,474,234)	(683,036)
Accrued Revenues at June 30, 2022, received during FY 2023	5,348,916	506,369
Accrued Expenditures at June 30, 2023, paid during FY 2024	4,704,824	169,313
Accrued Expenditures at June 30, 2022, paid during FY 2023	(4,575,839)	(639,834)
FY 2023 Prepays for FY 2024	(144,175)	(1,671)
FY 2022 Prepays for FY 2023	130,523	0
Encumbrances Outstanding	(74,646)	(548,839)
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	26,054	0
Budget Basis	\$4,060,913	(\$1,120,886)

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, investments with original maturities of less than three months and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The District allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72, "*Fair Value Measurement and Application*," the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. See Note 5, "Cash, Cash Equivalents and Investments."

The District's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the District. The District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **H. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

#### **I. Capital Assets and Depreciation**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of five or more fiscal years.

##### 1. Property, Plant and Equipment - Governmental Activities

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent fiscal years) within the governmental activities in the government-wide statement of net position but are not reported in the fund financial statements.

Contributed capital assets are recorded at acquisition value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated fiscal year of acquisition.

The District reports capital assets for Subscription Based Information Technology Arrangements (SBITAs). A SBITA asset is an intangible asset which represents the District's right to use another entity's information technology software.

##### 2. Depreciation

All capital assets are depreciated, excluding land, land improvements and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings and Building Improvements	15-50
Improvements Other Than Buildings	10-45
Furniture, Fixtures, Equipment and Vehicles	5-20
SBITA Assets	2-3

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Leases	General Fund
General Obligation Bonds	General Fund, Bond Retirement Fund
SBITA Payable	General Fund, Title I Fund, Misc. Federal Grants Fund
Compensated Absences/ Net Pension Liability/Net OPEB Liability	General Fund, Food Service Fund, Other Grants Fund, Misc. State Grants Fund, Title VI-B Fund, Title I Fund, Misc. Federal Grants Fund

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than 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 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees having at least nineteen years of service.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.



## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **L. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

##### **M. Pension/OPEB**

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

##### **N. Interfund Activity**

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

On the fund financial statements, receivables and payables to cover deficit cash balances are classified as “interfund receivables/payable” and receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds.” These amounts are eliminated in the governmental activities column on the statement of net position.

##### **O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the 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 legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, unclaimed monies, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **O. Fund Balance** (Continued)

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

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the 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 District Board of Education.

**Unassigned** - 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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The 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 amounts in any of the unrestricted fund balance classifications could be used.

#### **P. Restricted Assets**

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 fiscal years before they may be utilized by the District are reported as restricted.

#### **Q. Estimates**

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

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund self insurance program. Operating expenses are the necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **S. 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. The District had an extraordinary item during fiscal year 2023. Spring storms damaged many of the District's buildings resulting in a \$5.5 million insurance recovery.

#### **T. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and are explained in Notes 10 and 11.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficits** - The fund deficits at June 30, 2023 of \$161,863 in the Title VI-B Fund, \$217,415 in the Title I Fund, and \$757,235 in the Miscellaneous Federal Grants Fund (special revenue funds) and of \$1,650,382 in the Self Insurance Internal Service Fund arose from the recognition of expenditures on the modified/full accrual basis which are greater than expenditures recognized on the budgetary/cash basis.

The Title VI-B, Title I and Miscellaneous Federal Grants funds also had cash deficits at fiscal year end due to timing issues with grant reimbursements. The General Fund provided interfund loans to cover these deficits at fiscal year end.

#### **NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

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

GASB Statement No. 91 provides a single method of reporting conduit debt obligations.

GASB Statement No. 94 clarifies accounting and financial reporting requirements for public-private and public-public partnership arrangements and availability payment arrangements.

GASB Statement No. 96 provides guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users.

The implementation of these Statements had no effect on beginning net position/fund balance.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

**NOTE 4 – FUND BALANCES**

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

Fund Balances	General Fund	Miscellaneous Federal Grants Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$0	\$0	\$0	\$932	\$932
Prepaid Items	144,175	1,671	0	82,407	228,253
Advances to Other Funds	1,400,000	0	0	0	1,400,000
Unclaimed Monies	20,302	0	0	0	20,302
<b>Total Nonspendable</b>	<b>1,564,477</b>	<b>1,671</b>	<b>0</b>	<b>83,339</b>	<b>1,649,487</b>
Restricted:					
Athletics and Music	0	0	0	200,013	200,013
Grants	0	0	0	313,693	313,693
Scholarships	0	0	0	75,337	75,337
Food Services	0	0	0	80,381	80,381
Classroom Facilities Maintenance	0	0	0	780,175	780,175
Debt Service	0	0	3,124,461	0	3,124,461
<b>Total Restricted</b>	<b>0</b>	<b>0</b>	<b>3,124,461</b>	<b>1,449,599</b>	<b>4,574,060</b>
Assigned:					
Purchases on Order	52,146	0	0	0	52,146
Capital Improvements	0	0	0	381,805	381,805
Public School Support	11,365	0	0	0	11,365
<b>Total Assigned</b>	<b>63,511</b>	<b>0</b>	<b>0</b>	<b>381,805</b>	<b>445,316</b>
Unassigned (Deficit)	12,614,047	(758,906)	0	(460,935)	11,394,206
<b>Total Fund Balances (Deficit)</b>	<b>\$14,242,035</b>	<b>(\$757,235)</b>	<b>\$3,124,461</b>	<b>\$1,453,808</b>	<b>\$18,063,069</b>

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five fiscal year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty five percent of the interim monies available for investment at any one time; and
- Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The 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 the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The District’s policy is to deposit funds with banking institutions which collateralize public monies in accordance with the Ohio Revised Code.

At fiscal year end the carrying amount of the District’s deposits was \$14,143,982 and the bank balance was \$14,900,274. Federal depository insurance covered \$500,000 of the bank balance and \$14,400,274 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the District’s name and securities held in the Ohio Pooled Collateral System.

**B. Investments**

The District's investments at June 30, 2023 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Fiscal Years)		
				less than 1	1-3	3-5
FHLB	\$583,504	AA+*	Level 2	\$124,340	\$341,156	\$118,008
FFCB	120,946	AA+ <sup>1</sup>	Level 1	0	0	120,946
Negotiable C/D's	1,524,140	NA	Level 2	0	1,045,830	478,310
Total Investments	<u>\$2,228,590</u>			<u>\$124,340</u>	<u>\$1,386,986</u>	<u>\$717,264</u>

\* Standard & Poor’s

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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#### NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

##### **B. Investments** (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Level 2 inputs are significant other observable inputs. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five fiscal years of settlement date.

*Investment Credit Risk* – The District has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 26.2% are in an FHLB, 5.4% are in FFCB and 68.4% are in negotiable certificates of deposit.

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# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

### NOTE 6 - PROPERTY TAXES

#### A. Property Tax

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien December 31, 2018, were levied after April 1, 2022 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Zanesville City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2023 taxes were collected are as follows:

	2022 Second Half Collections	2023 First Half Collections
Agricultural/Residential and Other Real Estate	\$423,226,500	\$425,554,860
Public Utility Personal	25,273,480	26,882,350
Total Assessed Value	<u>\$448,499,980</u>	<u>\$452,437,210</u>
Tax rate per \$1,000 of assessed valuation	\$49.65	\$49.15

#### B. Tax Abatements

The School District property taxes were reduced by an Enterprise Zone Tax Exemption agreement entered into by the City of Zanesville. The amount of the fiscal year 2023 taxes abated was \$16,208.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2023 consisted of taxes, interfund and intergovernmental receivables.

**NOTE 8 - INTERFUND RECEIVABLES/PAYABLES/TRANSFERS**

**A. Interfund Receivables/Payables**

Following is a summary of interfund receivables/payables for all funds at June 30, 2023:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$1,480,642	\$0
Miscellaneous Federal Grants Fund	0	1,272,629
Other Governmental Funds	0	208,013
Totals	\$1,480,642	\$1,480,642
	Advances To Other Funds	Advances From Other Funds
General Fund	\$1,400,000	\$0
Self Insurance Internal Service Fund	0	1,400,000
Totals	\$1,400,000	\$1,400,000

Interfund balances 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. Of the amounts above, the Interfund Loans represent the amount due to the General Fund from Special Revenue Funds for cash deficits. The advance from the General Fund to the Self Insurance Fund represents a loan to fund claims payments and will be repaid in the future.

**B. Transfers**

Following is a summary of transfers in and out for all funds for the fiscal year ended June 30, 2023:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$400,000
Self-Insurance Fund (Internal Service Fund)	400,000	0
Total All Funds	\$400,000	\$400,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2023:

<i>Historical Cost:</i>	Balance			Balance
Class	June 30, 2022	Additions	Deletions	June 30, 2023
<i>Capital assets not being depreciated:</i>				
Land	\$2,030,284	\$0	\$0	\$2,030,284
Land Improvements	68,107	0	0	68,107
Construction in Progress	69,637	2,552,322	0	2,621,959
Total Nondepreciable Capital Assets	<u>2,168,028</u>	<u>2,552,322</u>	<u>0</u>	<u>4,720,350</u>
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	89,801,254	11,564	0	89,812,818
Improvements Other Than Buildings	4,271,221	424,444	0	4,695,665
Furniture, Fixtures, Equipment & Vehicles	6,176,499	672,476	0	6,848,975
SBITA Assets	0	425,271	0	425,271
Total Cost	<u>\$102,417,002</u>	<u>\$4,086,077</u>	<u>\$0</u>	<u>\$106,503,079</u>
<i>Accumulated Depreciation:</i>				
Class	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Buildings and Building Improvements	(\$34,553,154)	(\$2,586,910)	\$0	(\$37,140,064)
Improvements Other Than Buildings	(3,162,136)	(209,878)	0	(3,372,014)
Furniture, Fixtures, Equipment & Vehicles	(4,641,817)	(346,046)	0	(4,987,863)
SBITA Assets	0	(214,179)	0	(214,179)
Total Depreciation	<u>(\$42,357,107)</u>	<u>(\$3,357,013) *</u>	<u>\$0</u>	<u>(\$45,714,120)</u>

\* Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$2,737,388
Special	49,631
Support Services:	
Fiscal Services	1,008
Operation and Maintenance of Plant	188,431
Pupil Transportation	181,567
Central	21,351
Operation of Non-Instructional:	
Food Service Operations	33,481
Extracurricular Activities	144,156
Total Depreciation Expense	<u>\$3,357,013</u>

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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#### **NOTE 10 - DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

##### **A. Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. Plan Description**

***School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14 percent. No amount was allocated to the Health Care Fund.

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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#### NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

##### **B. Plan Description** (Continued)

The District's contractually required contribution to SERS was \$1,075,877 for fiscal year 2023.

##### ***State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, cost-of-living adjustment (COLA) was reduced to 0%. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be 5 years of qualifying service credit and age 65, or 35 years of service credit, regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. Plan Description** (Continued)

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

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

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2023, the employer rate was 14% and the member rate was 14% of covered payroll. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,726,836 for fiscal year 2023. Of this amount \$459,239 is reported as an intergovernmental payable.

**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,715,366	\$31,308,914	\$41,024,280
Proportion of the Net Pension Liability -2023	0.1796222%	0.1408400%	
Proportion of the Net Pension Liability -2022	<u>0.1848306%</u>	<u>0.1374853%</u>	
Percentage Change	<u>(0.0052084%)</u>	<u>0.0033548%</u>	
Pension Expense	\$733,995	\$3,478,931	\$4,212,926

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$393,480	\$400,795	\$794,275
Change of assumptions	95,863	3,746,740	3,842,603
Net difference between projected and actual earnings on pension plan investments	0	1,089,481	1,089,481
District contributions subsequent to the measurement date	1,075,877	2,726,836	3,802,713
Changes in proportionate share	<u>0</u>	<u>560,946</u>	<u>560,946</u>
Total Deferred Outflows of Resources	<u>\$1,565,220</u>	<u>\$8,524,798</u>	<u>\$10,090,018</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$63,779	\$119,765	\$183,544
Changes of assumptions	0	2,820,221	2,820,221
Net difference between projected and actual earnings on pension plan investments	339,023	0	339,023
Changes in proportionate share	<u>195,681</u>	<u>348,430</u>	<u>544,111</u>
Total Deferred Inflows of Resources	<u>\$598,483</u>	<u>\$3,288,416</u>	<u>\$3,886,899</u>

\$3,802,713 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$38,222	\$125,245	\$163,467
2025	(32,733)	(44,691)	(77,424)
2026	(484,301)	(746,240)	(1,230,541)
2027	<u>369,672</u>	<u>3,175,232</u>	<u>3,544,904</u>
Total	<u>(\$109,140)</u>	<u>\$2,509,546</u>	<u>\$2,400,406</u>



# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

#### **D. Actuarial Assumptions**

##### *School Employees Retirement System (SERS)*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.00 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The most recent experience study was completed June 30, 2020.

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

#### NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

##### D. Actuarial Assumptions (Continued)

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

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

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**D. Actuarial Assumptions (Continued)**

	1% Decrease █ (6.00%)	Current Discount Rate █ (7.00%)	1% Increase █ (8.00%)
District's proportionate share of the net pension liability	\$14,300,555	\$9,715,366	\$5,852,406

**State Teachers Retirement System (STRS)**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2022 actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actuarial experience study which is for the period July 1, 2015 through June 30, 2021.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**D. Actuarial Assumptions (Continued)**

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

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$47,296,371	\$31,308,914	\$17,788,475

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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#### NOTE 11 - DEFINED BENEFIT OPEB PLANS

##### **A. Net OPEB Liability (Asset)**

The net OPEB liability (asset) reported on the statement of net position represents a liability (asset) for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability (asset) represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District's obligation to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

##### **B. Plan Description**

###### ***School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage.

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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#### NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

##### **B. Plan Description** (Continued)

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, 0.0 percent of covered payroll was contributed to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$102,193.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$102,193 for fiscal year 2023, which is reported as an intergovernmental payable.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)**

**B. Plan Description** (Continued)

*State Teachers Retirement System (STRS)*

**Plan Description** – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2023, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund.

**C. OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the pension and OPEB plans relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$2,562,495	(\$3,646,817)	
Proportion of the Net OPEB Liability (Asset) -2023	0.1825126%	0.1408400%	
Proportion of the Net OPEB Liability (Asset) -2022	<u>0.1881622%</u>	<u>0.1374853%</u>	
Percentage Change	<u>(0.0056496%)</u>	<u>0.0033548%</u>	
OPEB Expense	(\$148,575)	(\$627,685)	(\$776,260)

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

#### **NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)**

#### **C. OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$21,540	\$52,869	\$74,409
Changes of assumptions	407,597	155,341	562,938
Net difference between projected and actual earnings on OPEB plan investments	13,315	63,483	76,798
Changes in proportionate share	341,000	40,525	381,525
District contributions subsequent to the measurement date	102,193	0	102,193
Total Deferred Outflows of Resources	\$885,645	\$312,218	\$1,197,863
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$1,639,158	\$547,689	\$2,186,847
Changes of assumptions	1,051,922	2,585,940	3,637,862
Changes in proportionate share	257,885	13,112	270,997
Total Deferred Inflows of Resources	\$2,948,965	\$3,146,741	\$6,095,706

\$102,193 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	(\$488,903)	(\$803,927)	(\$1,292,830)
2025	(465,868)	(831,734)	(1,297,602)
2026	(385,332)	(391,245)	(776,577)
2027	(260,408)	(162,843)	(423,251)
2028	(211,040)	(213,128)	(424,168)
Thereafter	(353,962)	(431,646)	(785,608)
Total	(\$2,165,513)	(\$2,834,523)	(\$5,000,036)



## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

#### NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

##### D. Actuarial Assumptions

##### *School Employees Retirement System (SERS)*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Medical Trend Assumption	
Medicare - Measurement Date	5.125 to 4.40 percent
Pre-Medicare - Measurement Date	6.75 to 4.40 percent
Medicare - Prior Measurement Date	5.125 to 4.40 percent
Pre-Medicare - Prior Measurement Date	6.75 to 4.40 percent

## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

#### NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

##### D. Actuarial Assumptions (Continued)

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2021 five-year experience study, are summarized as follows:

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

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)**

**D. Actuarial Assumptions (Continued)**

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

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

	1% Decrease █ (3.08%)	Current █ Discount Rate (4.08%)	1% Increase █ (5.08%)
School District's proportionate share of the net OPEB liability	\$3,182,659	\$2,562,495	\$2,061,856
	1% Decrease (6.00% Decreasing to 3.40%)	Current Trend Rate (7.00% Decreasing to 4.40%)	1% Increase (8.00% Decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,976,144	\$2,562,495	\$3,328,366

# ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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### NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

#### **D. Actuarial Assumptions** (Continued)

##### *State Teachers Retirement System (STRS)*

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%
Investment Rate of Return	7.00%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.00%
Health Care Cost Trends	
Pre-Medicare	7.50% initial, 3.94% ultimate
Medicare	(68.78%) initial, 3.94% ultimate

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

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actuarial experience study which is for the period July 1, 2015 through June 30, 2021.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)**

##### **D. Actuarial Assumptions (Continued)**

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

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

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

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

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**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)**

**D. Actuarial Assumptions (Continued)**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount and Health Care Cost Trend Rates*** – The net OPEB liability (asset) is sensitive to changes in the discount and health care cost trend rates. To illustrate the potential impact the following table presents the net OPEB liability (asset) calculated using the discount rate of 7.00 percent, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate. Also shown is the net OPEB liability (asset) calculated using a health care cost trend rate this is one percentage point lower and one percentage point higher.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB liability (asset)	(\$3,371,386)	(\$3,646,817)	(\$3,882,747)
	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB liability (asset)	(\$3,782,636)	(\$3,646,817)	(\$3,475,378)

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## ZANESVILLE CITY SCHOOL DISTRICT, OHIO

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

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#### **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 days of vacation per year, depending upon length of service. Vacation leave may be accumulated by employees up to 30 days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Nine and ten month employees, including 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 292 days for certified employees and up to 292 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 73 days. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to a maximum of 73 days. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance.

##### **B. Life and Vision Insurance**

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

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

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## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

#### **NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in long term debt of the District for the fiscal year ended June 30, 2023 is as follows:

		Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
Direct Placement:						
2018 Property Acquisition & Improvement Bonds						
Serial Bonds, \$325,000	3.90%	\$70,142	\$0	(\$70,142)	\$0	\$0
Total Direct Placement Issues		70,142	0	(70,142)	0	0
2012 School Improvement Refunding Bonds						
Capital Appreciation Bonds		1,910,000	0	0	1,910,000	0
Capital Appreciation Bond Accretion		1,732,645	239,758	0	1,972,403	0
Capital Appreciation Bond Premium, \$939,688		268,478	0	(67,121)	201,357	0
Total 2012 School Improvement Refunding Bonds		3,911,123	239,758	(67,121)	4,083,760	0
2019 School Improvement Refunding Bonds						
Serial Bonds, \$8,440,000	4.00%	5,425,000	0	(1,695,000)	3,730,000	1,810,000
Serial Bond Premium, \$792,594		364,845	0	(150,970)	213,875	0
Total 2019 School Improvement Refunding Bonds		5,789,845	0	(1,845,970)	3,943,875	1,810,000
2021 School Improvement Refunding Bonds						
Serial Bonds, \$7,190,000	2.00 - 5.00%	7,115,000	0	(295,000)	6,820,000	305,000
Serial Bond Premium, \$1,069,176		916,436	0	(122,192)	794,244	0
Total 2021 School Improvement Refunding Bonds		8,031,436	0	(417,192)	7,614,244	305,000
Total General Obligation Bonds		17,802,546	239,758	(2,400,425)	15,641,879	2,115,000
Leases Payable		31,299	0	(26,719)	4,580	4,580
SBITA Payable		0	359,041	(175,142)	183,899	183,899
Compensated Absences		2,227,277	277,456	(289,546)	2,215,187	279,967
Total Governmental Activities		\$20,061,122	\$876,255	(\$2,891,832)	\$18,045,545	\$2,583,446



## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

#### **NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

The 2012 capital appreciation bonds mature on December 1, 2026. 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, including accretion, is \$4,675,000. For fiscal year 2023, \$239,758 was accreted for a total bond liability of \$3,882,403.

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.

On September 5, 2019, the School District issued \$8,440,000 of School Improvement General Obligation Refunding serial bonds to advance refund \$9,115,000 of the 2011 School Improvement Refunding Bonds. The refunding bonds were sold with a total premium of \$792,594 that will be amortized over the term of the bonds. \$9,272,345, (after premium, underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 2011 bonds.

On April 1, 2021, the School District issued \$7,190,000 of School Improvement General Obligation Refunding serial bonds to advance refund \$7,850,000 of the 2012 School Improvement Refunding Bonds. The refunding bonds were sold with a total premium of \$1,069,176 that will be amortized over the term of the bonds. \$8,248,416, (after premium, underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 2012 bonds.

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

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2023 follows:

Fiscal Years	Serial/Current Interest Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2024	\$2,115,000	\$379,700	\$0	\$0
2025	2,235,000	292,700	0	0
2026	5,000	247,900	1,910,000	2,765,000
2027	5,000	247,700	0	0
2028	2,385,000	123,800	0	0
2029-2030	3,805,000	203,400	0	0
Totals	<u>\$10,550,000</u>	<u>\$1,495,200</u>	<u>\$1,910,000</u>	<u>\$2,765,000</u>

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 14 - LEASE AND SBITA COMMITMENTS**

During fiscal year 2019, the District entered into a capitalized lease for copiers. Lease payments are reflected as debt service expenditures in the basic financial statements.

The leased assets were originally capitalized in the amount of \$122,535. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2023 totaled \$26,719 in the governmental funds.

The District is in several contracts for the right to use information technology software for various instructional and financial purposes. The recorded contracts are two years in duration. SBITA payments have been reclassified and are reflected as debt service expenditures paid out of the General Fund, the Title I Fund and the Miscellaneous Federal Grants Fund in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements.

The following is a schedule of the future minimum payments under the lease and SBITAs together with the present value of the net minimum payments as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Lease</u>	<u>SBITAs</u>
2024	<u>\$ 4,606</u>	<u>\$ 193,094</u>
Minimum Payments	4,606	193,094
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(26)</u>	<u>(9,195)</u>
Present Value of minimum payments	<u><u>\$4,580</u></u>	<u><u>\$183,899</u></u>

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**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 15 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a capital acquisition reserve. During the fiscal year ended June 30, 2023, the reserve activity (cash-basis) was as follows:

	<u>Capital Acquisition Reserve</u>
Set-aside Cash Balance as of June 30, 2022	\$0
Current Fiscal Year Set-Aside Requirement	649,553
Qualifying Disbursements	<u>(649,553)</u>
Total	<u>\$0</u>
Set-aside Reserve Balance June 30, 2023	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount for capital acquisition may not be used to reduce the set-aside requirements of future fiscal years. Negative amounts for capital acquisition are therefore not presented as being carried forward to the next fiscal year.

**NOTE 16 - RISK MANAGEMENT**

**A. Insurance Purchasing Pools**

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

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

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.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 16 - RISK MANAGEMENT (Continued)**

##### **A. Insurance Purchasing Pools (Continued)**

The School District began participating in the program effective January 1, 2014. The School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan prior to 2014. The School District paid \$20,585 in enrollment fees to the Program as of June 30, 2023.

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

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

Participants paid an initial \$500 membership fee to OSBC. OSBC offers two options to participants. 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. 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.

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

The 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 2023, the District contracted for various insurance coverages, as follows:

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 16 - RISK MANAGEMENT (Continued)**

**B. Other Insurance (Continued)**

Insurance Provider	Coverage	Deductible
Liberty Mutual	Building & Personal Property Blanket	\$5,000
Liberty Mutual	Commercial General Liability	Not Applicable
Liberty Mutual	Commercial Inland Marine	\$1,000
Liberty Mutual	Commercial Auto Coverage	\$1,000
Liberty Mutual	Commercial Crime Coverage	\$500
Liberty Mutual	Commercial Umbrella Liability	Not Applicable
Auto Owners Insurance	Flood Insurance	\$1,250

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

**C. Self-Insurance**

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 \$636,640 reported in the internal service fund at June 30, 2023, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased a portion of an aggregate stop-loss coverage policy in the amount of \$11,863,303 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 the fund's claims liability amount in fiscal year 2023 were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2022	\$852,532	\$9,208,852	(\$9,222,210)	\$839,174
2023	\$839,174	\$9,212,229	(\$9,414,763)	\$636,640

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

##### **A. META Solutions**

The School District participates in META Solutions, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META is also known as META Solutions. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2023, the School District paid \$123,513 for services with META. Financial information can be obtained from META Solutions at 2100 Citygate Drive, Columbus, Ohio 43219.

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

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

##### **C. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

##### **C. Coalition of Rural and Appalachian Schools (Continued)**

The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2023, the School District made a membership payment in the amount of \$325 to CORAS. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at 322 McCracken Hall, Ohio University, Athens, Ohio 45701.

#### **NOTE 18 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

##### **B. Litigation**

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2023.

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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**NOTE 19 – SIGNIFICANT COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At June 30, 2023 the District had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
General Fund	\$74,646
Miscellaneous Federal Grants Fund	548,839
Other Governmental Funds	180,957
Total Governmental Funds	\$804,442

**NOTE 20 – RELATED PARTY TRANSACTIONS**

For fiscal year 2023, the School District provided \$1,536,568 to the Zanesville Community High School, a discretely presented component unit, for administrative, fiscal, and student services. As of June 30, 2023, Zanesville Community High School has repaid all but \$109,673 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.

**NOTE 21 – ZANESVILLE COMMUNITY HIGH SCHOOL COMPONENT UNIT**

**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.

**Capital Assets**

Capital assets for Zanesville Community High School consisted of wood-working equipment for a classroom during fiscal year 2023. Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The Zanesville Community High School maintains a capitalization threshold of five thousand dollars. Capital assets are depreciated using the straight-line method. This equipment is depreciated over ten years of useful life.

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

Depreciable Capital Assets	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Furniture, Fixtures, Equipment & Vehicles	\$12,893	\$0	\$0	\$12,893
Accumulated Depreciable	(8,701)	(1,289)	0	(9,990)
Total Capital Assets, Net	\$4,192	(\$1,289)	\$0	\$2,903



*REQUIRED SUPPLEMENTARY INFORMATION*

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## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

### ***Schedule of District's Proportionate Share of the Net Pension Liability Last Ten Fiscal Years***

#### **State Teachers Retirement System**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.13583337%	0.13583337%	0.13933605%
District's proportionate share of the net pension liability	\$39,356,288	\$33,039,376	\$38,508,409
District's covered payroll	\$14,157,200	\$13,832,823	\$14,165,900
District's proportionate share of the net pension liability as a percentage of its covered payroll	277.99%	238.85%	271.84%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.70%	72.10%

Source: District Treasurer's Office and State Teachers Retirement System

#### **School Employees Retirement System**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.152915%	0.152915%	0.16180200%
District's proportionate share of the net pension liability	\$9,093,364	\$7,738,941	\$9,232,579
District's covered payroll	\$4,032,435	\$4,773,261	\$4,881,517
District's proportionate share of the net pension liability as a percentage of its covered payroll	225.51%	162.13%	189.13%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%	69.16%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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2017	2018	2019	2020	2021	2022	2023
0.13635153%	0.14165593%	0.14055222%	0.14016739%	0.13925501%	0.13748527%	0.14084002%
\$45,640,967	\$33,650,670	\$30,904,277	\$30,997,177	\$33,694,758	\$17,578,728	\$31,308,914
\$14,669,821	\$15,702,729	\$15,990,671	\$16,605,086	\$16,884,057	\$17,732,979	\$18,873,379
311.12%	214.30%	193.26%	186.67%	199.57%	99.13%	165.89%
66.80%	75.30%	77.30%	77.40%	75.48%	87.78%	78.88%
2017	2018	2019	2020	2021	2022	2023
0.16279450%	0.17317890%	0.16799130%	0.16306140%	0.18496920%	0.18483060%	0.17962220%
\$11,915,056	\$10,347,057	\$9,621,173	\$9,756,250	\$12,234,253	\$6,819,716	\$9,715,366
\$5,128,100	\$5,595,893	\$5,653,415	\$5,829,733	\$6,936,257	\$6,534,507	\$7,032,571
232.35%	184.90%	170.18%	167.35%	176.38%	104.36%	138.15%
62.98%	69.50%	71.36%	70.85%	68.55%	82.86%	75.82%

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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### ***Schedule of District Pension Contributions Last Ten Fiscal Years***

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#### **State Teachers Retirement System**

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$1,798,267	\$1,983,226	\$2,053,775
Contributions in relation to the contractually required contribution	<u>1,798,267</u>	<u>1,983,226</u>	<u>2,053,775</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$13,832,823	\$14,165,900	\$14,669,821
Contributions as a percentage of covered payroll	13.00%	14.00%	14.00%

Source: District Treasurer's Office and State Teachers Retirement System

#### **School Employees Retirement System**

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$661,574	\$643,384	\$717,934
Contributions in relation to the contractually required contribution	<u>661,574</u>	<u>643,384</u>	<u>717,934</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$4,773,261	\$4,881,517	\$5,128,100
Contributions as a percentage of covered payroll	13.86%	13.18%	14.00%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

See accompanying notes to the required supplementary information

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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2017	2018	2019	2020	2021	2022	2023
\$2,198,382	\$2,238,694	\$2,324,712	\$2,363,768	\$2,482,617	\$2,642,273	\$2,726,836
2,198,382	2,238,694	2,324,712	2,363,768	2,482,617	2,642,273	2,726,836
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$15,702,729	\$15,990,671	\$16,605,086	\$16,884,057	\$17,732,979	\$18,873,379	\$19,477,400
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

2017	2018	2019	2020	2021	2022	2023
\$783,425	\$763,211	\$787,014	\$971,076	\$914,831	\$984,560	\$1,075,877
783,425	763,211	787,014	971,076	914,831	984,560	1,075,877
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$5,595,893	\$5,653,415	\$5,829,733	\$6,936,257	\$6,534,507	\$7,032,571	\$7,684,836
14.00%	13.50%	13.50%	14.00%	14.00%	14.00%	14.00%

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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**Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (Asset)  
Last Seven Fiscal Years**

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**State Teachers Retirement System**

Fiscal Year	2017	2018	2019
District's proportion of the net OPEB liability (asset)	0.13635153%	0.14165593%	0.14055222%
District's proportionate share of the net OPEB liability (asset)	\$7,292,115	\$5,526,892	(\$2,258,530)
District's covered payroll	\$14,669,821	\$15,702,729	\$15,990,671
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	49.71%	35.20%	(14.12%)
Plan fiduciary net position as a percentage of the total OPEB liability	37.30%	47.10%	176.00%

Source: District Treasurer's Office and State Teachers Retirement System

**School Employees Retirement System**

Fiscal Year	2017	2018	2019
District's proportion of the net OPEB liability	0.16484230%	0.17573970%	0.17051930%
District's proportionate share of the net OPEB liability	\$4,698,615	\$4,716,393	\$4,730,666
District's covered payroll	\$5,128,100	\$5,595,893	\$5,653,415
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	91.62%	84.28%	83.68%
Plan fiduciary net position as a percentage of the total OPEB liability	11.49%	12.46%	13.57%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.

The schedule is intended to show ten fiscal years of information. Additional fiscal years will be displayed as they become available. Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability (Asset), which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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2020	2021	2022	2023
0.14016739%	0.13925501%	0.13748527%	0.14084002%
(\$2,321,510)	(\$2,447,404)	(\$2,898,766)	(\$3,646,817)
\$16,605,086	\$16,884,057	\$17,732,979	\$18,873,379
(13.98%)	(14.50%)	(16.35%)	(19.32%)
174.74%	182.13%	174.73%	230.73%

2020	2021	2022	2023
0.16774750%	0.18496540%	0.18816220%	0.18251260%
\$4,218,497	\$4,019,903	\$3,561,124	\$2,562,495
\$5,829,733	\$6,936,257	\$6,534,507	\$7,032,571
72.36%	57.95%	54.50%	36.44%
15.57%	18.17%	24.08%	30.34%

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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### ***Schedule of District Other Postemployment Benefit (OPEB) Contributions Last Ten Fiscal Years***

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#### **State Teachers Retirement System**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$138,328	\$0	\$0
Contributions in relation to the contractually required contribution	<u>138,328</u>	<u>0</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$13,832,823	\$14,165,900	\$14,669,821
Contributions as a percentage of covered payroll	1.00%	0.00%	0.00%

Source: District Treasurer's Office and State Teachers Retirement System

#### **School Employees Retirement System**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$83,192	\$121,685	\$81,170
Contributions in relation to the contractually required contribution	<u>83,192</u>	<u>121,685</u>	<u>81,170</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$4,773,261	\$4,881,517	\$5,128,100
Contributions as a percentage of covered payroll	1.74%	2.49%	1.58%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.

See accompanying notes to the required supplementary information



**ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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2017	2018	2019	2020	2021	2022	2023
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$15,702,729	\$15,990,671	\$16,605,086	\$16,884,057	\$17,732,979	\$18,873,379	\$19,477,400
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2017	2018	2019	2020	2021	2022	2023
\$95,797	\$120,798	\$134,544	\$85,827	\$109,693	\$113,295	\$102,193
95,797	120,798	134,544	85,827	109,693	113,295	102,193
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$5,595,893	\$5,653,415	\$5,829,733	\$6,936,257	\$6,534,507	\$7,032,571	\$7,684,836
1.71%	2.14%	2.31%	1.24%	1.68%	1.61%	1.33%

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET PENSION LIABILITY**

##### **SERS**

*Changes in benefit terms* – For fiscal years 2023 through 2019, there were no changes to benefit terms. For fiscal year 2018, the following were the most significant changes in benefits that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2015 through 2017.

##### *Changes in assumptions*

For fiscal year 2023, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2022 and prior are presented below:

- Cost of living adjustment was increased from 2.00% to 2.50%.

For fiscal year 2022, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

- Assumed rate of inflation was reduced from 3.00% to 2.40%
- Payroll growth assumption was reduced from 3.50% to 1.75%
- Assumed real wage growth was increased from 0.50% to 0.85%
- Cost-of-Living-Adjustments was reduced from 2.50% to 2.00%
- The discount rate was reduced from 7.50% to 7.00%
- Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - PUB-2010 General Amount Weighted Below Median Employee mortality table. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
- Mortality among service retired members was updated to the following:
  - PUB-2010 General Employee Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
- Mortality among contingent survivors was updated to the following:
  - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET PENSION LIABILITY** (Continued)

##### **SERS** (Continued)

- Mortality among disabled members was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

For fiscal years 2021, 2020, and 2019 there were no changes in assumptions.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disable member was updated to the following:
  - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

There were no changes in assumptions for fiscal years 2015 through 2017.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET PENSION LIABILITY** (Continued)

##### **STRS**

*Changes in benefit terms* – For fiscal years 2023 through 2019, there were no changes to benefit terms. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2015 through 2017.

##### *Changes in assumptions*

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Total salary increase rates were lowered to a range of 2.5 percent to 8.5 percent.
- Updated the health and disability mortality assumptions to the Pub-2010 Teachers Healthy Annuitant Mortality Table projected forward generationally using mortality improvement scale MP-2020.
- Demographic assumptions were modified to reflect the June 30, 2021 experience study.

In fiscal year 2022 the investment return was lowered from 7.45 percent to 7.00 percent. For fiscal year 2021, 2020, and 2019, there were no changes in assumptions. For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2015 through 2017.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET OPEB LIABILITY (ASSET)**

##### **SERS**

*Changes in benefit terms* – There were no changes to benefit terms for fiscal years 2023 - 2018.

##### *Changes in assumptions*

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 2.27% to 4.08%

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 2.63% to 2.27%
- The investment rate of return was reduced from 7.50% to 7.00%
- Assumed rate of inflation was reduced from 3.00% to 2.40%
- Payroll Growth Assumption was reduced from 3.50% to 1.75%
- Assumed real wage growth was increased from 0.50% to 0.85%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Rate of health care participation for future retirees and spouses was updated to reflect recent experience
- Mortality among active members was updated to the following:
  - PUB-2010 General Amount Weighted Below Median Employee mortality table.
- Mortality among service retired members was updated to the following:
  - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
- Mortality among beneficiaries was updated to the following:
  - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- Mortality among disabled member was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- Mortality rates are projected using a fully generational projection with Scale MP-2020.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET OPEB LIABILITY (ASSET)** (Continued)

##### **SERS** (Continued)

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
  - Pre-Medicare – 2019 – 7.25 to 4.75 percent, 2020 – 7.00 to 4.75

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
  - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET OPEB LIABILITY (ASSET)** (Continued)

##### **SERS** (Continued)

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disabled members was updated to the following:
  - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

##### **STRS**

###### *Changes in benefit terms*

For fiscal year 2023 the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

For fiscal year 2022 the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET OPEB LIABILITY (ASSET)** (Continued)

##### **STRS** (Continued)

For fiscal year 2021 the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2020, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extend the current Medicare Part B partial reimbursement for one year.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

There were no changes to benefit terms for fiscal year 2017.



## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET OPEB LIABILITY (ASSET)** (Continued)

#### **STRS** (Continued)

##### *Changes in assumptions*

For fiscal year 2023 there were no changes in assumptions.

In fiscal year 2022 the investment return was lowered from 7.45 percent to 7.00 percent.

For fiscal year 2021 the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 4.93 percent to (6.69) percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 5.87 percent to 5.00 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 9.62 percent to 11.87 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from 7.73 percent to 6.50 initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 6 percent to 4.93 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 5 percent to 5.87 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 8 percent to 9.62 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from -5.23 percent to 7.73 initial, 4 percent ultimate

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
  - Medical Medicare – 6 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – -5.23 percent initial, 4 percent ultimate

## **ZANESVILLE CITY SCHOOL DISTRICT, OHIO**

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

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#### **NET OPEB LIABILITY (ASSET)** (Continued)

#### **STRS** (Continued)

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

There were no changes in assumptions for fiscal year 2017.

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Breakfast Program (Non-Cash)	10.553	N/A	\$ 49,384
National School Lunch Program (Non-Cash)	10.555	N/A	99,130
Summer Food Service Program for Children (Non-Cash)	10.559	N/A	6,220
Fresh Fruit and Vegetable Program (Non-Cash)	10.582	N/A	69,995
Total Non-Cash Assistance			<u>224,729</u>
National School Breakfast Program	10.553	N/A	889,073
National School Lunch Program	10.555	N/A	1,706,717
COVID-19 National School Lunch Program	10.555	N/A	77,951
Summer Food Service Program for Children	10.559	N/A	111,986
Total Cash Assistance			<u>2,785,727</u>
Total Child Nutrition Cluster			<u>3,010,456</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	N/A	<u>67</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>3,010,523</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	2,347,483
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	1,009,394
IDEA Early Childhood Special Education	84.173	N/A	111,773
Total Special Education Cluster			<u>1,121,167</u>
Rural Education	84.358	N/A	4,640
Supporting Effective Instruction State Grants	84.367	N/A	244,910
Student Support & Academic Enrichment Program	84.424	N/A	271,515
English Language Acquisition State Grants	84.365	N/A	827
Twenty-First Century Community Learning Centers	84.287	N/A	357,543
Elementary and Secondary School Emergency Relief (ESSER) Fund:			
COVID-19 ESSER II	84.425D	N/A	1,759,567
COVID-19 ARP - ESSER	84.425U	N/A	3,274,411
COVID-19 ARP - Homeless Round II	84.425W	N/A	4,996
Total Elementary and Secondary School Emergency Relief Fund			<u>5,038,974</u>
<b>Total U.S. Department of Education</b>			<b><u>9,387,059</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$12,397,582</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Zanesville City School District, Muskingum County (the District) under programs of the federal government for the fiscal year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**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  
956 Moxahala Avenue  
Zanesville, Ohio 43701

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, (the District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2024.

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

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

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

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

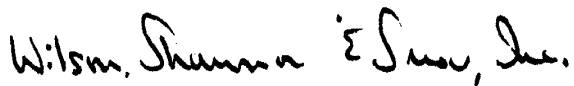
Zanesville City School District  
Muskingum County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

***Purpose of This Report***

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



Newark, Ohio  
January 24, 2024

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

Zanesville City School District  
Muskingum County  
956 Moxahala Avenue  
Zanesville, Ohio 43701

To the Board of Education:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

In our opinion, the Zanesville City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

***Responsibilities of Management for Compliance***

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

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

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

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

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

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



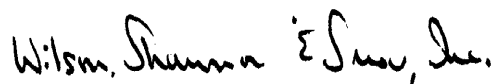
### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Newark, Ohio  
January 24, 2024

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I/84.010 Elementary and Secondary School Emergency Relief Fund/84.425D, 84.425U, 84.425W
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

# OHIO AUDITOR OF STATE KEITH FABER



**ZANESVILLE CITY SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/28/2024**

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

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