



Mary Taylor, CPA  
Auditor of State



**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Zanesville City School District, Muskingum County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 23 to the financial statements, the School District is experiencing certain financial difficulties. Note 23 describes these conditions and management's plan regarding these conditions. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 29, 2010

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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As management of the Zanesville City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements.

### **Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities increased \$4,789,288.
- General revenues accounted for \$34,582,075 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$12,662,228 or 27 percent of total revenues of \$47,244,303.
- Total assets of governmental activities increased by \$5,896,679 mostly due to increases in cash and cash equivalents and capital assets.
- The School District had \$42,455,015 in expenses relating to governmental activities; only \$12,662,228 of these expenses was offset by program specific charges for services, grants, contributions, and interest.

### **Using this Annual Financial Report**

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

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

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

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

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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

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

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

***Fund Financial Statements***

The analysis of the School District's major funds begin on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Ohio School Facilities Commission Capital Projects Fund.

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

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

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

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

**Table 1 - Net Assets**

	Governmental Activities		
	2009	2008	Change
<b>Assets</b>			
Current and Other Assets	\$74,283,333	\$81,429,267	(\$7,145,934)
Capital Assets	49,223,652	36,181,039	13,042,613
<b>Total Assets</b>	<b>123,506,985</b>	<b>117,610,306</b>	<b>5,896,679</b>
<b>Liabilities</b>			
Long-Term Liabilities	35,178,751	36,586,730	(1,407,979)
Other Liabilities	19,083,917	16,568,547	2,515,370
<b>Total Liabilities</b>	<b>54,262,668</b>	<b>53,155,277</b>	<b>1,107,391</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	19,176,038	6,084,887	13,091,151
Restricted	50,665,429	63,153,359	(12,487,930)
Unrestricted (Deficit)	(597,150)	(4,783,217)	4,186,067
<b>Total Net Assets</b>	<b>\$69,244,317</b>	<b>\$64,455,029</b>	<b>\$4,789,288</b>

Total assets increased \$5,896,679. The increase in assets is primarily due to an increase in capital assets as a result of an increase in construction in progress associated with Phase II of the School District's Ohio School Facilities Expedited Local Partnership Program. The increase in assets is offset by a decrease in current and other assets in the amount of \$7,145,934. The decrease in current and other assets was primarily the result of a decrease in intergovernmental receivables in the amount of \$24,022,803, due to the School District drawing down monies that are associated with Phase II of the School District's Ohio School Facilities Expedited Local Partnership Program. The decrease in intergovernmental receivables was offset by an increase in cash and cash equivalents in the amount of \$16,848,798. The increase in cash and cash equivalents was primarily due to the School District drawing down \$23,244,190 in Ohio School Facilities Expedited Local Partnership Program monies.

Total liabilities increased by \$1,107,391. The majority of the increase in other liabilities is primarily due to an increase in contracts payable and retainage payable in the amount of \$2,748,724 and \$351,096, respectively. The increase in contracts payable is due to the increased construction associated with Phase II of the School District's Ohio School Facilities Expedited Local Partnership Program. The increase in other liabilities is offset by a decrease in claims payable in the amount of \$161,385, a decrease in vacation benefits payable in the amount of \$135,616, and a decrease in deferred revenue in the amount of \$589,530. The decrease in claims payable from the prior year was a result of a decrease in the actuarial estimate for in process and incurred but not reported claims. The decrease in vacation benefits payable is the result of the School District changing their vacation policy allowing employees to carry forward vacation balances at fiscal year end up to one year's accrual. The decrease in deferred revenue is due to the Muskingum County second-half real estate taxes being due and collected in mid-August rather than late June.

The long-term liabilities decreased by \$1,407,979. This decrease was due to the School District making a \$640,000 principal payment on the School Facilities General Obligation Bonds and a decrease in retirement incentive/termination benefits payable in the amount of \$917,161.

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, and comparisons to fiscal year 2008.

**Table 2 - Changes in Net Assets**

<b>Revenues</b>	Governmental Activities		
	2009	2008	Change
Program Revenues			
Charges for Services	\$2,268,940	\$2,078,176	\$190,764
Operating Grants, Contributions, and Interest	9,502,206	9,476,113	26,093
Capital Grants and Contributions	891,082	74,958	816,124
Total Program Revenues	<u>12,662,228</u>	<u>11,629,247</u>	<u>1,032,981</u>
General Revenue			
Property Taxes	11,473,822	7,556,635	3,917,187
Grants and Entitlements	22,728,123	21,367,758	1,360,365
Gain on Sale of Capital Asset	5,169	0	5,169
Payment in Lieu of Taxes	32,670	2,820	29,850
Investment Earnings	229,443	266,591	(37,148)
Miscellaneous	112,848	133,768	(20,920)
Total General Revenues	<u>34,582,075</u>	<u>29,327,572</u>	<u>5,254,503</u>
Total Revenues	<u>47,244,303</u>	<u>40,956,819</u>	<u>6,287,484</u>
<b>Program Expenses</b>			
Instruction			
Regular	15,734,347	14,608,229	1,126,118
Special	6,143,885	6,226,632	(82,747)
Vocational	348,139	284,682	63,457
Intervention	1,416,419	1,138,046	278,373
Support Services			
Pupils	2,504,852	2,332,284	172,568
Instructional Staff	3,204,093	3,833,560	(629,467)
Board of Education	138,018	142,769	(4,751)
Administration	2,475,959	2,460,002	15,957
Fiscal	659,975	727,148	(67,173)
Operation and Maintenance of Plant	3,446,426	3,503,638	(57,212)
Pupil Transportation	1,183,458	1,207,366	(23,908)
Central	686,487	533,940	152,547
Operation of Non-Instructional Services:			
Food Service Operations	1,912,687	1,917,483	(4,796)
Other	392,215	394,076	(1,861)
Extracurricular Activities	664,576	515,231	149,345
Interest	1,543,479	1,562,317	(18,838)
Total Program Expenses	<u>42,455,015</u>	<u>41,387,403</u>	<u>1,067,612</u>
<i>Change in Net Assets</i>	4,789,288	(430,584)	5,219,872
Net Assets Beginning of Year	64,455,029	64,610,013	(154,984)
Prior Period Adjustment	0	275,600	(275,600)
Net Assets Beginning of Year	<u>64,455,029</u>	<u>64,885,613</u>	<u>(430,584)</u>
Net Assets End of Year	<u>\$69,244,317</u>	<u>\$64,455,029</u>	<u>\$4,789,288</u>

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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Total revenues increased \$6,287,484. This increase in revenues is primarily due to an increase in capital grants and contributions in the amount of \$816,124, an increase in property taxes revenue in the amount of \$3,917,187, and an increase in grants and entitlements in the amount of \$1,360,365. During fiscal year 2009, the Muskingum County Community Foundation contributed \$815,831 for improvements to the School District's stadium, including artificial turf replacement, new track curbing, drainage, excavation and paving, a sound system upgrade, and a new scoreboard. The contributions were comprised of both donations and monetary contributions. The increase in property taxes is primarily due to second-half real estate taxes not being collected until mid August. The increase in grants and entitlements is a direct result of an increase in state funding in the amount of \$1,913,829. The increase in state funding is due to an increase from the October 2008 per pupil funding amount of 3,988 to the February 2009 per pupil funding in the amount of 4,032.

Total instruction expense increased \$1,385,201. Regular instruction increased \$1,126,118 and intervention instruction increased \$278,373. The increase in regular instruction is the result of approximately 144 additional students leaving the School District via open enrollment and community school enrollment. In addition, during fiscal year 2009 the School District added additional employees for educational services that the School District had contracted for with the Muskingum County Juvenile Detention Center in the past. The increase in intervention services is the result of an increase in full-time equivalency funding for the poverty based assistance program. In fiscal year 2008, there were 20 full-time equivalent students and in fiscal year 2009 there were 24.75 full-time equivalent students.

Instructional staff expenses decreased \$629,467 primarily due to a decrease in the retirement incentive/termination benefit. During fiscal year 2008, thirteen retirees accepted the retirement incentive creating an additional \$831,823 long-term liability to be paid over a three year period as an instructional expense. Fiscal year 2008, was the final year the retirement incentive was offered.

Instruction comprises approximately 56 percent of governmental program expenses, support services make up approximately 34 percent of the program expenses, operation of non-instructional services make up approximately 5 percent of program expenses, and the remaining 5 percent of program expenses is related to extracurricular activities and interest expenses of the School District.

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

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

**Table 3 - Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
<b>Program Expenses</b>				
Instruction				
Regular	\$15,734,347	\$13,960,449	\$15,013,524	\$13,542,877
Special	6,143,885	2,224,034	6,226,632	2,046,758
Vocational	348,139	291,299	284,682	256,352
Intervention	1,416,419	1,416,419	732,751	732,751
Support Services:				
Pupils	2,504,852	1,788,607	2,332,284	1,673,585
Instructional Staff	3,204,093	1,143,525	3,833,560	2,001,690
Board of Education	138,018	138,018	142,769	142,769
Administration	2,475,959	2,189,002	2,460,002	2,060,879
Fiscal	659,975	635,915	727,148	701,115
Operation and Maintenance of Plant	3,446,426	3,399,801	3,503,638	3,457,953
Pupil Transportation	1,183,458	931,789	1,207,366	977,163
Central	686,487	650,686	533,940	488,507
Operation of Non-Instructional Services:				
Food Service Operations	1,912,687	(107,773)	1,917,483	(98,120)
Other	392,215	8,411	394,076	(39,358)
Extracurricular Activities	664,576	(420,874)	515,231	240,230
Interest	1,543,479	1,543,479	1,562,317	1,562,317
<b>Totals</b>	<b>\$42,455,015</b>	<b>\$29,792,787</b>	<b>\$41,387,403</b>	<b>\$29,747,468</b>

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2009, only 30 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 70 percent is provided through taxes and entitlements.

**The School District's Major Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$69,589,088 and expenditures of \$56,558,096.

**General Fund**

The fund balance of the General Fund at June 30, 2009 is \$794,639, an increase of \$2,656,658. The majority of this increase is due to the School District eliminating discretionary expenditures.

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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

The fund balance of the Ohio School Facilities Commission Capital Projects Fund at June 30, 2009 is \$15,994,078, an increase of \$10,608,567. The majority of this increase is due to the School District drawing down monies that were unspent at the end of the year for the construction associated with Phase II of the Ohio School Facilities Expedited Local Partnership Program.

**General Fund Budgeting Highlights**

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

During the course of fiscal 2009, the School District amended its General Fund budget. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The General Fund had original revenue budget estimates of \$30,350,985. The original budget estimates were increased to a final budget amount of \$31,903,069 for the fiscal year. Actual revenues were \$223,746 less than final budgeted estimates.

The General Fund had original expenditure budget estimates of \$27,982,411. The original budget estimates were increased to a final budget amount of \$29,162,240 for the fiscal year. This increase between the original and final budgets was primarily due to conservative estimates prior to the School District's five year forecast projections in October 2008. Actual expenditures were \$348,737 below final budgeted estimates.

The School District's ending unobligated General Fund budgetary balance was \$124,991 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009, the School District had \$49,223,652 invested in land, construction in progress, buildings and building improvements, improvements other than buildings, furniture, fixtures, equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to 2008.

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
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Unaudited

**Table 4 - Capital Assets at June 30, 2009**  
**(Net of Depreciation)**

	Government Activities	
	2009	2008
Land	\$2,482,117	\$2,394,037
Construction in Progress	15,201,241	2,392,930
Buildings and Building Improvements	29,642,943	30,275,127
Improvements Other Than Buildings	1,047,812	298,714
Furniture, Fixtures, Equipment and Vehicles	849,539	820,231
<b>Totals</b>	<b>\$49,223,652</b>	<b>\$36,181,039</b>

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

***Debt***

At June 30, 2009, the School District had \$31,994,784 in bonds, accretion, and unamortized premium and discount outstanding.

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

	Governmental Activities 2009	Governmental Activities 2008
2002 School Facilities		
Serial Bonds - 2.25-5.38%	\$5,555,000	\$6,195,000
Term Bonds - 4.75-5.38%	25,900,000	25,900,000
2002 School Facilities Capital Appreciation Bonds		
Original Issue	239,576	239,576
Accretion	194,389	160,481
2002 School Facilities Serial/ Term Bonds Discount	(31,495)	(33,034)
2002 School Facilities Serial/ Term Bonds Premium	137,314	168,025
<b>Totals</b>	<b>\$31,994,784</b>	<b>\$32,630,048</b>

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

**Economic Factors**

The School District relies upon local property taxes and state foundation/grant monies to fund its operations. In fiscal year 2009, the School District received approximately 48 percent of its revenues from the state foundation program/grants and 24 percent from local property taxes.

**Zanesville City School District, Ohio**  
Management's Discussion and Analysis  
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Unaudited

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

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact Cindy Nye, Treasurer, Zanesville City School District, 160 N Fourth Street, Zanesville, Ohio 43701 or through e-mail at [nye@zanesville.k12.oh.us](mailto:nye@zanesville.k12.oh.us).

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**Zanesville City School District, Ohio**

Statement of Net Assets

June 30, 2009

	Primary Government	Component Unit
	Governmental Activities	Zanesville Community High School
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$28,769,264	\$213,675
Cash and Cash Equivalents in Segregated Accounts	233,411	0
Accounts Receivable	11,020	0
Inventory Held for Resale	25,296	0
Materials and Supplies Inventory	4,739	0
Prepaid Items	52,408	0
Due from Component Unit	58,233	0
Revenue in Lieu of Taxes Receivable	277,800	0
Property Taxes Receivable	12,533,136	0
Intergovernmental Receivable	32,093,388	87,507
Deferred Charges	224,638	0
Nondepreciable Capital Assets	17,683,358	0
Depreciable Capital Assets, Net	31,540,294	0
<i>Total Assets</i>	<u>123,506,985</u>	<u>301,182</u>
<b>Liabilities</b>		
Matured Compensated Absences Payable	76,803	0
Accounts Payable	318,816	17,803
Contracts Payable	2,952,432	0
Retainage Payable	355,162	0
Accrued Wages and Benefits Payable	3,740,905	0
Due to Primary Government	0	58,233
Accrued Interest Payable	119,828	0
Retirement Incentive Payable	12,000	0
Intergovernmental Payable	828,725	4,023
Claims Payable	553,694	0
Deferred Revenue	10,125,552	50,223
Long-Term Liabilities:		
Due Within One Year	1,821,556	0
Due In More Than One Year	33,357,195	0
<i>Total Liabilities</i>	<u>54,262,668</u>	<u>130,282</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	19,176,038	0
Restricted for:		
Classroom Facilities Maintenance	314,455	0
State Grants	340,626	0
Unclaimed Monies	7,472	0
Bus Purchase	47,594	0
Textbooks and Instructional Materials	53,463	0
Capital Projects	46,858,048	0
Debt Service	2,285,754	0
Other Purposes	758,017	0
Unrestricted (Deficit)	(597,150)	170,900
<i>Total Net Assets</i>	<u>\$69,244,317</u>	<u>\$170,900</u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Unit
<b>Governmental Activities</b>						
Instruction:						
Regular	\$15,734,347	\$1,306,096	\$460,172	\$7,630	(\$13,960,449)	\$0
Special	6,143,885	195,187	3,724,664	0	(2,224,034)	0
Vocational	348,139	0	56,840	0	(291,299)	0
Intervention	1,416,419	0	0	0	(1,416,419)	0
Support Services:						
Pupils	2,504,852	576	715,669	0	(1,788,607)	0
Instructional Staff	3,204,093	2,454	2,058,114	0	(1,143,525)	0
Board of Education	138,018	0	0	0	(138,018)	0
Administration	2,475,959	262	286,695	0	(2,189,002)	0
Fiscal	659,975	0	24,060	0	(635,915)	0
Operation and Maintenance of Plant	3,446,426	997	8,705	36,923	(3,399,801)	0
Pupil Transportation	1,183,458	94,602	126,369	30,698	(931,789)	0
Central	686,487	0	35,801	0	(650,686)	0
Operation of Non-Instructional Services:						
Food Service Operations	1,912,687	426,824	1,593,636	0	107,773	0
Other	392,215	6,639	377,165	0	(8,411)	0
Extracurricular Activities	664,576	235,303	34,316	815,831	420,874	0
Interest	1,543,479	0	0	0	(1,543,479)	0
<i>Total Primary Government</i>	<u>\$42,455,015</u>	<u>\$2,268,940</u>	<u>\$9,502,206</u>	<u>\$891,082</u>	<u>(29,792,787)</u>	
<b>Component Unit</b>						
Zanesville Community High School	<u>\$760,590</u>	<u>\$0</u>	<u>\$470,386</u>	<u>\$0</u>	<u>0</u>	<u>(290,204)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	9,167,703	0
Debt Service	2,125,188	0
Classroom Facilities Maintenance	180,931	0
Gain on Sale of Capital Asset	5,169	0
Payment in Lieu of Taxes	32,670	0
Grants and Entitlements not Restricted to Specific Programs	22,728,123	286,723
Investment Earnings	229,443	200
Miscellaneous	112,848	0

<i>Total General Revenues</i>	<u>34,582,075</u>	<u>286,923</u>
<i>Change in Net Assets</i>	4,789,288	(3,281)
Net Assets Beginning of Year	<u>64,455,029</u>	<u>174,181</u>
<i>Net Assets End of Year</i>	<u>\$69,244,317</u>	<u>\$170,900</u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**

Balance Sheet  
Governmental Funds  
June 30, 2009

	General	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,435,529	\$19,334,224	\$5,890,982	\$28,660,735
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	108,529	0	0	108,529
Accounts Receivable	10,483	0	537	11,020
Intergovernmental Receivable	18,192	30,828,396	1,246,800	32,093,388
Inventory Held for Resale	0	0	25,296	25,296
Materials and Supplies Inventory	0	0	4,739	4,739
Interfund Receivable	69,974	0	0	69,974
Due from Component Unit	1,733	0	56,500	58,233
Prepaid Items	46,693	0	5,715	52,408
Revenue in Lieu of Taxes Receivable	243,337	0	34,463	277,800
Property Taxes Receivable	9,953,144	0	2,579,992	12,533,136
<i>Total Assets</i>	<u>\$13,887,614</u>	<u>\$50,162,620</u>	<u>\$9,845,024</u>	<u>\$73,895,258</u>
<b>Liabilities</b>				
Matured Compensated Absences Payable	\$76,803	\$0	\$0	\$76,803
Accounts Payable	126,186	32,453	160,177	318,816
Contracts Payable	0	2,952,432	0	2,952,432
Accrued Wages and Benefits Payable	2,502,050	0	1,238,855	3,740,905
Interfund Payable	0	0	69,974	69,974
Retainage Payable	0	355,162	0	355,162
Intergovernmental Payable	546,358	99	282,268	828,725
Deferred Revenue	9,841,578	30,828,396	3,122,793	43,792,767
<i>Total Liabilities</i>	<u>13,092,975</u>	<u>34,168,542</u>	<u>4,874,067</u>	<u>52,135,584</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	47,191	39,039,810	267,482	39,354,483
Reserved for Unclaimed Monies	7,472	0	0	7,472
Reserved for Textbooks and Instructional Materials	53,463	0	0	53,463
Reserved for Bus Purchase	47,594	0	0	47,594
Reserved for Property Taxes	354,903	0	96,503	451,406
Unreserved:				
Undesignated, Reported in:				
General Fund	284,016	0	0	284,016
Special Revenue Funds	0	0	1,075,898	1,075,898
Debt Service Fund	0	0	2,073,112	2,073,112
Capital Projects Funds (Deficit)	0	(23,045,732)	1,457,962	(21,587,770)
<i>Total Fund Balances</i>	<u>794,639</u>	<u>15,994,078</u>	<u>4,970,957</u>	<u>21,759,674</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$13,887,614</u>	<u>\$50,162,620</u>	<u>\$9,845,024</u>	<u>\$73,895,258</u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
 Reconciliation of the Governmental Funds Balance Sheet to  
 the Statement of Net Assets  
 June 30, 2009

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**Total Governmental Fund Balances** \$21,759,674

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 49,223,652

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. (320,283)

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

Property Taxes Receivable	1,956,178	
Revenue in Lieu of Taxes Receivable	277,800	
Intergovernmental Receivable	31,433,237	33,667,215

Retirement Incentive Payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds. (12,000)

Unamortized issuance costs are reported as deferred charges on the statement of net assets but as an expenditure on the fund financial statements. 224,638

Accrued Interest Payable is recognized for outstanding long-term liabilities reported in the funds when due. (119,828)

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

Bonds Payable	(31,694,576)	
Accretion	(194,389)	
Bond Discount	31,495	
Bond Premium	(137,314)	
Termination/Retirement Incentive Payable	(1,151,165)	
Capital Leases Payable	(100,328)	
Compensated Absences	(1,932,474)	(35,178,751)

***Net Assets of Governmental Activities*** \$69,244,317

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009

	General	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$8,796,979	\$0	\$2,214,382	\$11,011,361
Payment in Lieu of Taxes	30,623	0	6,237	36,860
Intergovernmental	21,341,161	23,244,190	11,168,037	55,753,388
Interest	115,643	113,503	853	229,999
Tuition and Fees	1,164,583	0	166,880	1,331,463
Rentals	526	0	0	526
Extracurricular Activities	0	0	303,082	303,082
Charges for Services	0	0	658,419	658,419
Contributions and Donations	6,626	0	144,516	151,142
Miscellaneous	79,918	0	32,930	112,848
<i>Total Revenues</i>	<u>31,536,059</u>	<u>23,357,693</u>	<u>14,695,336</u>	<u>69,589,088</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,985,609	0	2,401,717	15,387,326
Special	4,083,623	0	1,907,188	5,990,811
Vocational	340,225	0	0	340,225
Intervention	442,337	0	993,243	1,435,580
Support Services:				
Pupils	1,753,931	0	745,617	2,499,548
Instructional Staff	1,365,196	0	2,727,241	4,092,437
Board of Education	126,473	0	0	126,473
Administration	2,062,036	0	304,904	2,366,940
Fiscal	603,749	0	53,826	657,575
Operation and Maintenance of Plant	3,199,377	28,358	93,841	3,321,576
Pupil Transportation	938,139	0	220,886	1,159,025
Central	645,093	24,600	37,368	707,061
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,850,312	1,850,312
Other	1,171	0	390,932	392,103
Extracurricular Activities	264,448	0	390,990	655,438
Capital Outlay	0	12,696,168	678,214	13,374,382
Debt Service:				
Principal Retirement	29,259	0	642,544	671,803
Interest and Fiscal Charges	5,629	0	1,523,852	1,529,481
<i>Total Expenditures</i>	<u>28,846,295</u>	<u>12,749,126</u>	<u>14,962,675</u>	<u>56,558,096</u>
<i>Excess of Revenues Over (Under) Expenditures:</i>	<u>2,689,764</u>	<u>10,608,567</u>	<u>(267,339)</u>	<u>13,030,992</u>
<b>Other Financing Sources (Use)</b>				
Transfers In	0	0	33,106	33,106
Transfers Out	(33,106)	0	0	(33,106)
Proceeds from the Sale of Capital Assets	0	0	23,305	23,305
<i>Total Other Financing Sources (Use)</i>	<u>(33,106)</u>	<u>0</u>	<u>56,411</u>	<u>23,305</u>
<i>Net Change in Fund Balances</i>	2,656,658	10,608,567	(210,928)	13,054,297
Fund Balances (Deficit) Beginning of Year	(1,862,019)	5,385,511	5,181,885	8,705,377
<i>Fund Balances End of Year</i>	<u>\$794,639</u>	<u>\$15,994,078</u>	<u>\$4,970,957</u>	<u>\$21,759,674</u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
 Reconciliation of the Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2009

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$13,054,297</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	13,374,683	
Capital Contributions	815,831	
Depreciation Expense	(1,129,765)	13,060,749
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds from the sale of capital assets and the gain on the sale of capital assets.		
Proceeds from the Sale of Capital Assets	(23,305)	
Gain on the Sale of Capital Assets	5,169	(18,136)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net change of the internal service fund is reported with governmental activities.		
		324,127
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Tuition and Fees	(24,550)	
Payment in Lieu of Taxes	(4,190)	
Intergovernmental	(23,599,803)	
Delinquent Taxes	462,461	(23,166,082)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		640,000
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		1,711
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Vacation Benefits Payable	135,616	
Termination/Retirement Incentive Payable	917,161	
Capital Lease Payable	31,803	
Compensated Absences Payable	(176,249)	908,331
The amortization of premiums, discounts, and issuance costs are reported on the statement of activities:		
Discount Amortization	(1,539)	
Premium Amortization	30,711	
Issuance Costs Amortization	(10,973)	18,199
Accretion on capital appreciation bonds is an expenditure in the governmental funds but is allocated as an expense over the life of the bonds.		
		(33,908)
<b><i>Change in Net Assets of Governmental Activities</i></b>		<b>\$4,789,288</b>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$9,352,261	\$8,805,359	\$8,814,772	\$9,413
Payment in Lieu of Taxes	21,054	21,054	30,623	9,569
Intergovernmental	19,421,600	21,485,169	21,466,267	(18,902)
Interest	219,605	119,605	115,748	(3,857)
Tuition and Fees	1,186,501	1,120,315	1,164,233	43,918
Rentals	800	800	526	(274)
Extracurricular Activities	207	207	0	(207)
Contributions and Donations	6,626	6,626	6,626	0
Customer Sales and Services	0	136,250	0	(136,250)
Miscellaneous	142,331	207,684	80,528	(127,156)
<i>Total Revenues</i>	<u>30,350,985</u>	<u>31,903,069</u>	<u>31,679,323</u>	<u>(223,746)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,446,333	13,443,270	13,380,201	63,069
Special	3,909,021	4,204,639	4,075,330	129,309
Vocational	192,537	353,410	343,886	9,524
Support Services:				
Pupils	1,427,041	1,795,889	1,713,728	82,161
Instructional Staff	1,519,729	1,564,753	1,379,592	185,161
Board of Education	129,235	127,502	124,565	2,937
Administration	1,754,963	1,993,810	2,056,404	(62,594)
Fiscal	636,528	640,632	608,314	32,318
Operation and Maintenance of Plant	3,270,593	2,969,842	3,221,948	(252,106)
Pupil Transportation	843,962	932,779	962,257	(29,478)
Central	589,005	869,189	680,693	188,496
Other Non-Instructional Services	1,500	1,600	1,253	347
Extracurricular Activities	222,064	225,025	265,332	(40,307)
Capital Outlay	39,900	39,900	0	39,900
<i>Total Expenditures</i>	<u>27,982,411</u>	<u>29,162,240</u>	<u>28,813,503</u>	<u>348,737</u>
<i>Excess of Revenues Over Expenditures</i>	2,368,574	2,740,829	2,865,820	124,991
<b>Other Financing Use</b>				
Transfers Out	(52,000)	(33,106)	(33,106)	0
<i>Net Change in Fund Balance</i>	2,316,574	2,707,723	2,832,714	124,991
Fund Balance Beginning of Year	654,808	654,808	654,808	0
Prior Year Encumbrances Appropriated	50,765	50,765	50,765	0
<i>Fund Balance End of Year</i>	<u>\$3,022,147</u>	<u>\$3,413,296</u>	<u>\$3,538,287</u>	<u>\$124,991</u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**

Statement of Fund Net Assets

Self-Insurance Internal Service Fund

June 30, 2009

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<b>Current Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	\$233,411
<b>Current Liabilities</b>	
Claims Payable	<u>553,694</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(\$320,283)</u></u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2009

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<b>Operating Revenues</b>	
Charges for Services	<u>\$6,453,627</u>
<b>Operating Expenses</b>	
Purchased Services	645,940
Claims	<u>5,483,857</u>
<i>Total Operating Expenses</i>	<u>6,129,797</u>
<i>Operating Income</i>	323,830
<b>Non-Operating Revenue</b>	
Interest Income	<u>297</u>
<i>Change in Net Assets</i>	324,127
<i>Net Assets (Deficit) at Beginning of Year</i>	<u>(644,410)</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>(\$320,283)</u></u>

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**

Statement of Cash Flows

Self-Insurance Internal Service Fund

For the Fiscal Year Ended June 30, 2009

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

**Cash Flows from Operating Activities**

Cash Received from Transactions with Other Funds	\$6,453,627
Cash Payments for Services	(652,906)
Cash Payments for Claims	<u>(5,645,242)</u>

*Net Cash Provided by Operating Activities* 155,479

**Cash Flows from Investing Activities**

Interest on Investments	297
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*Cash and Cash Equivalents Beginning of Year* 77,635

*Cash and Cash Equivalents End of Year* \$233,411

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

Operating Income	\$323,830
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**Changes in Liabilities**

Decrease in Accounts Payable	(6,966)
Decrease in Claims Payable	<u>(161,385)</u>

*Net Cash Provided by Operating Activities* \$155,479

See accompanying notes to the basic financial statements

**Zanesville City School District, Ohio**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$23,147
	<hr/>
<i>Total Assets</i>	<i>\$23,147</i>
	<hr/> <hr/>
<b>Liabilities</b>	
Due to Students	\$22,371
Due to Others	776
	<hr/>
<i>Total Liabilities</i>	<i>\$23,147</i>
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See accompanying notes to the basic financial statements

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## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

The School District was established in 1849 when the first Zanesville High School was built with an enrollment of 50 students. The School District serves the City of Zanesville and is located in Muskingum County. The School District is staffed by 188 classified employees and 263 certificated full-time teaching personnel and administrative employees providing education to 4,255 students. The School District currently operates eight instructional buildings, one administrative building, and one garage.

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

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

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

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

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

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

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

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

### **B. Fund Accounting**

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

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

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

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

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

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

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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The School District has a segregated bank account for self-insurance monies held separate from the School District's central bank account. This interest bearing depository account is presented on the balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District's treasury.

During fiscal year 2009, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$115,643, which includes \$78,118 assigned from other School District funds.

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

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

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received.

**Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Building Improvements	15-50 Years
Improvements Other than Buildings	10-45 Years
Furniture, Fixtures, Equipment and Vehicles	5-20 Years

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Assets.

***J. Compensated Absences***

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

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

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

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

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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### ***K. Accrued Liabilities and Long-Term Obligations***

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

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

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

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

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

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

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

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for bus purchase represents State grant funds required to be utilized for the purchase of school buses. The reserves for textbooks and instructional materials represent amounts required to be set-aside by statute for the purchase of textbooks and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

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

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

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

### ***P. Extraordinary and Special Items***

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

### ***Q. Estimates***

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

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are not intended to be repaid.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

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

In the government-wide financial statements bond issuance costs, bond premiums and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

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

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

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

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

For fiscal year 2009, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

**Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 - Accountability and Compliance**

***A. Accountability***

At June 30, 2009, the following funds had fund deficits:

	<u>Deficit Fund Balance/ Net Assets</u>
Title I Special Revenue Fund	(\$92,003)
Self-Insurance Internal Service Fund	(320,283)

The deficits in the Title I Special Revenue Fund and the Self-Insurance Internal Service Fund are due to the recognition of accrued liabilities in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

***B. Compliance***

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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	<u>Excess</u>
Ohio School Facilities Commission	\$26,508,379
<u>Nonmajor Special Revenue Fund:</u>	
Athletic and Music	3,858
<u>Nonmajor Capital Projects Fund:</u>	
Permanent Improvement	28,875
Self-Insurance Internal Service Fund	198,148

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

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

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

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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### Net Change in Fund Balance

GAAP Basis	\$2,656,658
Net Adjustment for Revenue Accruals	143,159
Net Adjustment for Expenditure Accruals	117,949
Beginning:	
Prepaid Items	37,281
Unrecorded Cash	105
Ending:	
Prepaid Items	(46,693)
Adjustment for Encumbrances	(75,745)
	<hr/>
Budget Basis	<u><u>\$2,832,714</u></u>

### Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$25,827,035 of the School District's bank balance of \$27,529,840 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments:** As of June 30, 2009, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$4,049,065	Average 58.1 Days

### Interest Rate Risk

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

### Credit Risk

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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### Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property tax) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Muskingum County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The amount available as an advance at June 30, 2009, was \$451,406. \$354,903 was available to the General Fund, \$89,028 was available to the Bond Retirement Debt Service Fund, and \$7,475 was available to the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2008 was \$470,569. \$372,696 was available to the General Fund, \$89,980 was available to the Bond Retirement Debt Service Fund, and \$7,893 was available to the Classroom Facilities Special Revenue Fund.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred. On a modified accrual basis, only the amount available as an advance is recognized as revenue.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$367,492,550	91.78%	\$374,049,110	93.01%
Public Utility Personal	12,747,750	3.18%	13,117,440	3.26%
General Business Personal	20,184,563	5.04%	14,982,390	3.73%
Total Assessed Value	<u>\$400,424,863</u>	<u>100.00%</u>	<u>\$402,148,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.33		\$49.95	

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

### Note 8 - Receivables

Receivables at June 30, 2009, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes and payment in lieu of taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Delinquent property taxes in the amount of \$1,956,178, payment in lieu of taxes in the amount of \$277,800, and the portion of Phase II Construction Project totaling \$30,828,396 that will be paid to the School District through the Ohio School Facilities Commission for future construction will not be collected within one year.

On July 2, 2007, the School District was awarded \$61,677,495 for the construction of a new high school and two new elementary buildings under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs. As part of the process, the School District maintains a fund into which a one-half mill levy is receipted for facilities maintenance. As of the end of fiscal year 2009, the School District had received \$30,849,099 of the monies awarded under this program. The remaining amount of \$30,828,396 is recorded as a receivable and deferred revenue on the balance sheet.

On December 2, 1999 and May 28, 2002, Muskingum County entered into Enterprise Zone Tax Incentive Agreements with Mattingly Foods, Inc. for the purpose of construction, construction improvements, and job retention. On January 14, 2002 and December 22, 2003, Muskingum County entered into Enterprise Zone Tax Incentive Agreements with Lear Corporation for the purpose of construction, construction improvements, and job retention. To encourage these improvements, each company was granted a 100 percent exemption real and personal property taxes for a ten year period by making direct annual

**Zanesville City School District, Ohio**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

payments to Muskingum County. Each company is required to make annual payments, representing payments in lieu of taxes, that will be 25 percent of the amount of real and personal property taxes that would have been received if the 100 percent exemption had not been granted relating to the project. The School District has agreed to each project and is being made whole for lost real and personal property taxes by receiving payments in lieu of taxes in an amount equal to the real and personal property taxes that otherwise would have been due each year, pursuant to each financing agreement. Each company makes payments in lieu of taxes to Muskingum County which are distributed to the School District.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
School Foundation Adjustments	\$7,331
Miscellaneous Reimbursements	11,186
Food Service	56,723
Title VI-B Grant	144,172
Title I Grant	658,885
Title I-D Delinquent Grant	7,907
Title I School Improvement Grant	29,200
Even Start Grant	53,467
Early Learning Initiative Grant	48,684
Title II-A Grant	94,324
Gear Up Grant	9,465
Reading Recovery Grant	46,429
21st Century Grant	71,503
Title II-D Grant	25,716
Ohio School Facilities - Phase II Construction	<u>30,828,396</u>
Total	<u><u>\$32,093,388</u></u>

**Note 9 - Transfers**

Following is a summary of transfers in and out for all funds at June 30, 2009:

	<u>Transfer to</u>	
	Other Nonmajor Governmental	<u>Totals</u>
<u>Transfer from</u>		
Major Fund:		
General Fund	<u>\$33,106</u>	<u>\$33,106</u>
Totals	<u><u>\$33,106</u></u>	<u><u>\$33,106</u></u>

The transfer to the Miscellaneous Local Special Revenue Fund in the amount of \$30,000 was made to cover the transportation costs associated with pay to participate activities. The transfer to the Athletic and Music Special Revenue Fund in the amount of \$3,106 was made to cover the cheerleading advisor's salary.

**Zanesville City School District, Ohio**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

**Note 10 - Interfund Balances**

Individual interfund receivable and payable balances at June 30, 2009, are as follows:

<u>Interfund Payable</u>	<u>Interfund Receivable</u> <u>General Fund</u>
Other Nonmajor Governmental	\$69,974
Total All Funds	<u>\$69,974</u>

Interfund receivables and payables represent individual fund cash overdrafts of certain School District funds at year-end.

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$2,394,037	\$88,080	\$0	\$2,482,117
Construction in Progress	2,392,930	12,835,944	(27,633)	15,201,241
Total NonDepreciable Capital Assets	<u>4,786,967</u>	<u>12,924,024</u>	<u>(27,633)</u>	<u>17,683,358</u>
<b>Depreciable Capital Assets</b>				
Buildings and Building Improvements	40,001,504	322,810	(39,424)	40,284,890
Improvements Other Than Buildings	1,457,708	777,007	(93,824)	2,140,891
Furniture, Fixtures, Equipment and Vehicles	2,563,849	194,306	0	2,758,155
Total at Estimated Historical Cost	<u>44,023,061</u>	<u>1,294,123</u>	<u>(133,248)</u>	<u>45,183,936</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(9,726,377)	(936,858)	21,288	(10,641,947)
Improvements Other Than Buildings	(1,158,994)	(27,909)	93,824	(1,093,079)
Furniture, Fixtures, Equipment and Vehicles	(1,743,618)	(164,998)	0	(1,908,616)
Total Accumulated Depreciation	<u>(12,628,989)</u>	<u>(1,129,765) *</u>	<u>115,112</u>	<u>(13,643,642)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>31,394,072</u>	<u>164,358</u>	<u>(18,136)</u>	<u>31,540,294</u>
Governmental Activities Capital Assets, Net	<u>\$36,181,039</u>	<u>\$13,088,382</u>	<u>(\$45,769)</u>	<u>\$49,223,652</u>

During fiscal year 2009, the Muskingum County Community Foundation donated \$815,831 for improvements to the School District's stadium. This amount is reflected within Capital Grants and Contributions on the Statement of Activities.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

Instruction:	
Regular Instruction	\$453,066
Special Instruction	187,144
Vocational Instruction	7,123
Support Services:	
Pupils	43,132
Instructional Staff	69,066
Board of Education	11,545
Administration	115,249
Fiscal	102
Operation and Maintenance of Plant	56,825
Pupil Transportation	48,634
Central	4,842
Operation of Non-instructional Services:	
Food Service Operations	122,398
Other	1,501
Extracurricular Activities	9,138
	<hr/>
Total Depreciation Expense	<u>\$1,129,765</u>

### Note 12 - Defined Benefit Pension Plans

#### A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$395,062, \$400,179, and \$459,694, respectively; 49.62 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,794,479, \$1,597,026, and \$2,318,503 respectively; 85.46 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$713 made by the School District and \$5,814 made by the plan members.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement Board. As of June 30, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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### Note 13 - Postemployment Benefits

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

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care, including the surcharge, for the fiscal years ended June 30, 2009, 2008, and 2007 were \$252,141, \$287,401, and \$244,952 respectively; 63.88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$32,596, \$29,924, and \$31,259 respectively; 49.62 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$138,092, \$122,848, and \$179,282 respectively; 85.46 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

### **Note 14 - Other Employee Benefits**

#### ***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on an eleven or twelve month basis earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated vacation leave may be carried forward by employees up to one year's allocation. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 272 days for certified employees and up to 268 days for classified employees, including the Superintendent and Treasurer. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 68 days. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to a maximum of 67 days. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance.

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

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

#### ***C. Retirement Incentive***

Upon reaching 30 years of retirement credit in the State Teachers Retirement System (STRS), teachers become eligible to receive a \$12,000 retirement bonus (incentive), providing they retire in their 30<sup>th</sup> year. The benefit will be paid in one lump sum in January following the year of retirement. The School District paid \$12,000 for retirement incentives during fiscal year 2009. At June 30, 2009, \$12,000 in retirement incentives was accrued as a liability to be paid in January 2010.

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

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

**Zanesville City School District, Ohio**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

Detail of the changes in the long-term obligations of the School District for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2002 School Facilities					
Serial Bonds - 2.25-5.38%	\$6,195,000	\$0	(\$640,000)	\$5,555,000	\$695,000
Term Bonds - 4.75-5.38%	25,900,000	0	0	25,900,000	0
Capital Appreciation Bonds - 5.375%	239,576	0	0	239,576	0
Capital Appreciation Bonds Accretion	160,481	33,908	0	194,389	0
Serial / Term Bond Discount	(33,034)	0	1,539	(31,495)	0
Serial/Term Bond Premium	168,025	0	(30,711)	137,314	0
<b>Total Bonds</b>	<b>32,630,048</b>	<b>33,908</b>	<b>(669,172)</b>	<b>31,994,784</b>	<b>695,000</b>
Retirement Incentive/					
Termination Benefits Payable	2,068,326	0	(917,161)	1,151,165	917,162
Capital Lease	132,131	0	(31,803)	100,328	28,261
Compensated Absences	1,756,225	297,133	(120,884)	1,932,474	181,133
<b>Total Long-Term Obligations</b>	<b>\$36,586,730</b>	<b>\$331,041</b>	<b>(\$1,739,020)</b>	<b>\$35,178,751</b>	<b>\$1,821,556</b>

During December of 2002, the School District issued \$34,414,576 in voted general obligation bonds to repay outstanding bond anticipation notes. These general obligations were issued to pay the local share of school construction under the Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial, term, and capital appreciations bonds in the amounts of \$8,275,000, \$25,900,000, and \$239,576. The bonds will be retired from the Bond Retirement Debt Service Fund. The bonds were sold at a premium of \$337,819 and a discount of \$41,540. For fiscal year 2009, \$10,973 of the issuance costs were amortized. As of June 30, 2009, the School District had \$1,491,157 in unspent bond proceeds in the Ohio School Facilities Commission Capital Projects Fund.

The School District's overall legal debt margin at June 30, 2009 was \$5,053,924 with an unvoted debt margin of \$385,282.

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

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

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

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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Year	Principal Amount to be Redeemed
2018	\$1,365,000
2019	1,470,000
2020	1,580,000
2021	1,690,000
Total	<u><u>\$6,105,000</u></u>

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

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2023	\$1,940,000
2024	2,070,000
2025	2,210,000
Total	<u><u>\$6,220,000</u></u>

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

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

Year	Principal Amount to be Redeemed
2027	\$2,515,000
2028	2,685,000
Total	<u><u>\$5,200,000</u></u>

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

The capital appreciation bonds mature on December 1, 2013. These bonds were issued at a premium at the time issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$945,000. For fiscal year 2009, \$33,908 was accreted for a total bond liability of \$433,965.

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

A summary of the School District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2009, follows:

**Zanesville City School District, Ohio**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Years	General Obligation Bonds		
	Principal	Interest	Total
2010	\$695,000	\$1,500,611	\$2,195,611
2011	750,000	1,475,109	2,225,109
2012	810,000	1,445,728	2,255,728
2013	875,000	1,412,753	2,287,753
2014	239,576	2,100,895	2,340,471
2015-2019	5,840,000	6,248,472	12,088,472
2020-2024	8,490,000	4,497,900	12,987,900
2025-2029	11,840,000	2,085,705	13,925,705
2030	2,155,000	54,413	2,209,413
Totals	<u>\$31,694,576</u>	<u>\$20,821,586</u>	<u>\$52,516,162</u>

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

A summary of the School District's future termination benefit incentive payments as of June 30, 2009, follows:

Years	Retirement Incentive/ Termination Benefits
2010	\$917,161
2011	234,004
Totals	<u>\$1,151,165</u>

***C. Capital Leases Payable***

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

***D. Compensated Absences***

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

**Note 16 - Statutory Reserves**

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

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

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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	Textbooks	Capital Improvements
Set-aside reserve (cash) balance as of June 30, 2008	\$0	\$0
Carry over from prior year	(299,842)	0
Current year set-aside requirement	601,354	601,354
Current year offsets	0	(2,215,752)
Qualifying disbursements	(248,049)	(124,584)
Total	<u>\$53,463</u>	<u>(\$1,738,982)</u>
Set-aside balance carried forward to future fiscal years	\$53,463	\$0

The School District had qualifying disbursements and offsets during the fiscal year that further reduced the capital improvements set-aside amounts below zero. The extra amount in the capital improvements set-aside may not be carried forward.

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

#### **A. Grants**

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

The School District has been approved for \$3,128,557 of Federal Stimulus dollars as part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund special education and early childhood programs. The allocations will be available to fund fiscal year 2010 programs.

#### **B. Litigation**

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

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

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2009, the School District contracted with several different insurance providers for insurance coverage, as follows:

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

Insurance Provider	Coverage	Limit of Insurance	Deductible
Ohio Casualty	Building and Personal Property Blanket	\$97,514,856	\$5,000
Ohio Casualty	Commercial General Liability:		
	General Aggregate Limit	\$2,000,000	
	Completed Operations Aggregate Limit	\$2,000,000	
	Personal and Advertising Injury Limit	\$1,000,000	
	Each Occurrence Limit	\$1,000,000	
	Damage to Premises Rented Limit	\$300,000	
	Medical Expense Limit (Any One Person)	\$15,000	
Ohio Casualty	Commercial Inland Marine Coverage	\$1,524,578	\$1,000
Ohio Casualty	Commercial Auto Coverage:		
	Liability	\$1,000,000	
	Auto Medical Payments	\$1,000	
	Uninsured Motorists	\$50,000	
	Comprehensive	Cash Value	\$1,000
	Collision	Cash Value	\$1,000
Ohio Casualty	Commercial Crime Coverage:		
	Inside the Premises - Per occurrence	\$25,000	\$500
	Outside the Premises - Per messenger	\$25,000	\$500
	Forgery or Alteration - Per occurrence	\$100,000	\$500
	Employee Dishonesty - Per employee	\$100,000	\$500
Ohio Casualty	Commercial Umbrella Liability:		
	General Aggregate Limit	\$3,000,000	
	Completed Operations Aggregate Limit	\$3,000,000	
	Each Incident Limit	\$3,000,000	
	Retained Limits-Each Incident	\$10,000	
Utica National Insurance Group	Commercial Property Coverage (Auxiliary Srvs):		
	Building and Personal Property Blanket	\$324,444	\$1,000
State Auto Insurance Company	Commercial Inland Marine Coverage	\$5,590	\$250
Cincinnati Insurance Company	Public Official's Bond - Treasurer	\$50,000	
Cincinnati Insurance Company	Public Official's Bond - Superintendent	\$20,000	
Cincinnati Insurance Company	Public Official's Bond - Board President	\$20,000	

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

For fiscal year 2009, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Zanesville City School District, Ohio**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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 \$553,694 reported in the internal service fund at June 30, 2009, is based on an estimate provided by the third party administrator. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$5,987,147 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2008	\$551,349	\$5,334,137	\$5,170,407	\$715,079
2009	715,079	5,483,857	5,645,242	553,694

**Note 19 - Jointly Governed Organizations**

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

The School District is a participant in TRECA, which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During 2009, the School District paid \$189,416 for services with TRECA. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio, 43302.

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

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2009, the School District made payments totaling \$13,481 for day care services to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of 166 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2009, the School District made a payment of \$1,566 to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

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

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 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council 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 Council 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 Council. The School District's membership fee was \$300 for fiscal year 2009. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

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

The Ohio Coalition for Equity and Adequacy of School Funding is a regional council of government established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives that need not be Board of Education Superintendents. A maximum of 78 steering committee representatives may be appointed by the Chairperson. The School District's membership fee was \$2,087 for fiscal year 2009. To obtain financial information write to the Ohio Coalition for Equity and Adequacy of School Funding, William Phillis, Executive Director, 100 S. Third Street, Columbus, Ohio 43215.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

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

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

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

Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The School District participates in the second option. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. During fiscal year 2009, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, and dental coverage.

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

### Note 21 - Contractual Obligations

As of June 30, 2009, the School District had contractual purchase commitments for construction services relating to the Phase II of the Ohio School Facilities Project (OSFC). The contract amount for these services is as follows:

Contractor	Project	Purchase Commitments	Amounts Paid as of 06/30/2009	Amounts Remaining on Contracts
Central Fire Protection Co., Inc.	OSFC - High School Project	\$307,255	\$38,546	\$268,709
Gutridge Plumbing	OSFC - High School Project	5,324,215	886,253	4,437,962
Claypool Electric	OSFC - High School Project	1,947,000	186,607	1,760,393
Robertson Construction	OSFC - High School Project	10,305,839	2,050,339	8,255,500
Phoenix Masonry LTD	OSFC - High School Project	2,815,000	394,993	2,420,007
Farnham Equipment	OSFC - High School Project	796,998	0	796,998
Stubbs, Addis, Schappa, McDonald Architects, LTD	OSFC - High School and Elementary Project	777,224	194,218	583,006
The Quandel Group Inc.	OSFC - High School and Elementary Project	3,137,943	1,426,985	1,710,958
Paul Construction Co., Inc.	OSFC - North Elementary Project	6,123,280	2,680,544	3,442,736
S.A. Comunale	OSFC - North Elementary Project	169,650	81,830	87,820
Professional Plumbing	OSFC - North Elementary Project	472,600	176,788	295,812
Accurate Electric Construction, Inc.	OSFC - North Elementary Project	1,165,000	665,744	499,256
Farnham Equipment	OSFC - North Elementary Project	796,998	0	796,998
H&A Mechanical	OSFC - North Elementary Project	1,762,000	1,006,027	755,973
Gutridge Plumbing	OSFC - South Elementary Project	648,700	112,187	536,513
Charter Hill Construction	OSFC - South Elementary Project	5,072,840	630,701	4,442,139
H&A Mechanical	OSFC - South Elementary Project	2,495,000	245,877	2,249,123
City Electric	OSFC - South Elementary Project	1,079,000	261,028	817,972
Harris Masonry	OSFC - South Elementary Project	1,232,000	262,830	969,170
Farnham Equipment	OSFC - South Elementary Project	270,500	0	270,500
		<u>\$46,699,042</u>	<u>\$11,301,497</u>	<u>\$35,397,545</u>

### Note 22 - Capitalized Leases

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

The agreement provides for minimum annual lease payments as follows:

Fiscal Year Ending June 30,	Principal	Interest
2010	\$28,261	\$3,942
2011	32,313	2,818
2012	33,936	1,195
2013	5,818	36
Total	<u>\$100,328</u>	<u>\$7,991</u>

## Zanesville City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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The switches and routers were originally capitalized in the amount of \$155,472. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2009 totaled \$31,803 in the governmental funds.

Property under Capital Leases	\$155,472
Less: Accumulated Depreciation	<u>(46,642)</u>
Total June 30, 2009	<u><u>\$108,830</u></u>

### Note 23 - Fiscal Caution

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

### Note 24 - Related Party Transactions

For fiscal year 2009, the School District provided \$281,292 to the Zanesville Community High School, a discretely presented component unit, for administrative, fiscal, and student services. As of June 30, 2009, Zanesville Community High School has paid all but \$58,233 of this amount. The balance remaining to be paid is reflected as Due from Component Unit by the School District and as Due to Primary Government by the component unit.

### Note 25 - Zanesville Community High School

#### *Basis of Presentation*

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

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2008/2009	10.555	\$ 94,232	\$ 94,232
Cash Assistance:				
School Breakfast Program	2008/2009	10.553	411,029	411,029
National School Lunch Program	2008/2009	10.555	892,561	892,561
Child and Adult Care Food Program	2008/2009	10.558	108,276	108,276
Summer Food Service Program for Children	2008/2009	10.559	30,992	30,992
Cash Assistance Subtotal			<u>1,442,858</u>	<u>1,442,858</u>
Total Child Nutrition Cluster			<u>1,537,090</u>	<u>1,537,090</u>
Total U.S. Department of Agriculture			1,537,090	1,537,090
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2008	84.010	335,295	217,558
	2009		<u>1,738,353</u>	<u>1,789,119</u>
Total Title I Grants to Local Educational Agencies			2,073,648	2,006,677
Special Education - Grants to States	2008	84.027	193,989	168,990
	2009		<u>952,392</u>	<u>907,275</u>
Total Special Education - Grants to States			1,146,381	1,076,265
Special Education Preschool Grants	2009	84.173	4,500	2,619
Safe and Drug-Free Schools and Communities - State Grants	2009	84.186	23,514	23,514
Even Start-State Educational Agencies	2008	84.213	21,449	30,770
	2009		<u>163,568</u>	<u>153,576</u>
Total Even Start-State Educational Agencies			185,017	184,346
Twenty-First Century Community Learning Centers	2008	84.287	68,536	96,167
	2009		<u>378,497</u>	<u>347,033</u>
Total Twenty-First Century Community Learning Centers			447,033	443,200
State Grants for Innovative Programs	2008	84.298	(1,466)	(37)
	2009		<u>11,217</u>	<u>10,906</u>
Total State Grants for Innovative Programs			9,751	10,869
Education Technology State Grants	2008	84.318	(7,759)	
	2009		<u>9,516</u>	<u>5,988</u>
Total Education Technology State Grants			1,757	5,988
Improving Teacher Quality State Grants	2008	84.367	137,414	78,140
	2009		<u>488,377</u>	<u>489,258</u>
Total Improving Teacher Quality State Grants			625,791	567,398
School Improvement Grants	2009	84.377	<u>150,800</u>	<u>180,000</u>
Total U.S. Department of Education			<u>4,668,192</u>	<u>4,500,876</u>

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Ohio Department of Job and Family Services and Muskingum County Department of Job and Family Services:</i>				
Temporary Assistance to Needy Families	2008	93.558		\$ 12,213
	2009		\$ 85,828	64,404
Total Temporary Assistance to Needy Families			85,828	76,617
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program - CAFS	N/A	93.778	184,683	
Total U.S. Department of Health and Human Services			270,511	76,617
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 6,475,793</b>	<b>\$ 6,114,583</b>

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

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2009**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at fair value.

**NOTE D – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
State Grants for Innovative Programs	84.298	\$1,466
Education Technology State Grants	84.318	\$7,759

**NOTE E – MEDICAID COMMUNITY ALTERNATIVE FUNDING SYSTEM SETTLEMENT**

During fiscal year 2009, the School District received a settlement of \$184,683 from the Ohio Department of Mental Retardation and Developmental Disabilities for the Community Alternative Funding System program (Medical Assistance Program, CFDA #93.778) for services provided in prior years. This settlement is reflected as a receipt on the accompanying Schedule.

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# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 29, 2010, wherein we noted the School District is experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School District's management in a separate letter dated January 29, 2010.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2009-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 29, 2010.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

January 29, 2010



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Zanesville City School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

In a separate letter to the School District's management dated January 29, 2010, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 29, 2010

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster, CFDA Nos. 10.553, 10.555, 10.558, and 10.559  Title I Grants to Local Educational Agencies, CFDA No. 84.010  Twenty-First Century Community Learning Centers, CFDA No. 84.287
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009  
(Continued)**

<b>2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

For the fiscal year ending June 30, 2009, expenditures plus encumbrances exceeded appropriations plus prior year encumbrances in the following funds on the School District's accounting system:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$29,193,896	\$29,390,902	\$(197,006)
Permanent Improvement Fund	164,675	170,246	(5,571)
Classroom Facilities Fund	25,483,823	51,992,202	(26,508,379)
Employee Benefits Self Insurance Fund	6,100,000	6,298,767	(198,767)
District Managed Activity Fund	372,126	375,984	(3,858)
Management Information Systems Fund	11,881	14,388	(2,507)

The School District's failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend the Board of Education and the Treasurer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Treasurer should deny requests for payment when appropriations are not available.

**Officials' Response:** Purchase orders were issued for the length of the construction projects based upon the amount approved by the Ohio School Facilities Commission.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None.

**ZANESVILLE CITY SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001, 2007-003, and 2006-002	Ohio Rev. Code Sections 5705.36(A)(4) and 5705.39 – appropriations in excess of estimated resources.	Yes	N/A.
2008-002	34 C.F.R. part 80.21 and 31 CFR part 205 – interest earned on excessive balance of federal monies.	Yes	N/A.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Zanesville City School District, Muskingum County, Ohio (the School District), has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on September 22, 1994 and last revised on April 26, 2006.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family

Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 29, 2010



**Mary Taylor, CPA**  
Auditor of State

**ZANESVILLE CITY SCHOOL DISTRICT**  
**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 16, 2010**