

**ZANE STATE COLLEGE
MUSKINGUM COUNTY
Single Audit
For the Fiscal Year Ended June 30, 2013**

Perry & Associates
Certified Public Accountants, A.C



Dave Yost • Auditor of State

Board of Trustees
Zane State College
1555 Newark Road
Zanesville, Ohio 43701

We have reviewed the *Independent Auditor's Report* of the Zane State College, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 3, 2014, 2014

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Zane State College
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For the Fiscal Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

January 24, 2014

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, Ohio (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Zane State College, Muskingum County, Ohio, as of June 30, 2013, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

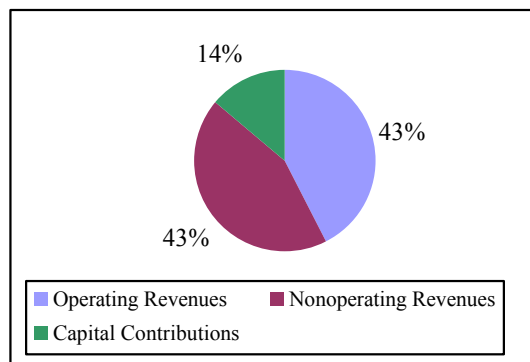
Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The discussion and analysis of Zane State College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2013. The financial statements and the related footnote disclosures along with the discussion and analysis have been prepared based on information that is the representation of management. Responsibility for the completeness and fairness of this information rests with management. The discussion and analysis contains financial activities of Zane State College.

Financial Highlights

Zane State College's financial position remained stable during the fiscal year ended June 30, 2013. Its combined net position increased \$4,662,411 or 18.7% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ended June 30, 2013:



Using This Annual Report

This report consists of three basic financial statements. The statement of net position (College) and net assets (Component Unit); the statement of revenues, expenses, and changes in net position (College) and net assets (Component Unit); and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances. The following activities are included in the College's basic financial statements:

- **College:** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.
- **Component Unit (Zane State College Foundation):** Most of the College's fund raising and restricted scholarship activity fall into this category.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is Zane State College as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

These two statements report the College's net position and changes in them. The College's net position amount – the difference between assets and liabilities – is one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of applicants, freshman class size, student retention, building condition, and campus safety, to assess the overall health of the College.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private and public sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Net Position Changes- College

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	\$ 19,760,013	\$ 10,485,206	\$ 9,274,807
Accounts receivable - students, net	2,494,285	2,871,056	(376,771)
Accounts receivable - vendors	136,016	112,159	23,857
Grants receivable	207,718	445,891	(238,173)
Inventory	297,910	359,568	(61,658)
Total current assets	<u>22,895,942</u>	<u>14,273,880</u>	<u>8,622,062</u>
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	19,845,200	15,146,468	4,698,732
Total noncurrent assets	<u>19,845,200</u>	<u>15,146,468</u>	<u>4,698,732</u>
TOTAL ASSETS	<u><u>\$ 42,741,142</u></u>	<u><u>\$ 29,420,348</u></u>	<u><u>\$ 13,320,794</u></u>
LIABILITIES			
Current Liabilities:			
Accrued wages and benefits	\$ 678,563	\$ 935,585	\$ (257,022)
Vouchers payable	947,644	510,378	437,266
Compensated absences payable - current portion	54,716	63,121	(8,405)
Loans payable - current portion	-	16,254	(16,254)
Capital lease payable - current portion	215,530	320,099	(104,569)
Accrued interest payable	32,834	-	32,834
Unearned tuition and fees revenue	917,306	1,326,899	(409,593)
Deposits held in custody for others	218,866	216,143	2,723
Bond anticipation notes payable	3,000,000	-	3,000,000
Total current liabilities	<u>6,065,459</u>	<u>3,388,479</u>	<u>2,676,980</u>
Noncurrent Liabilities:			
Compensated absences payable	466,389	538,029	(71,640)
Loans payable	-	39,613	(39,613)
Capital lease payable	281,066	558,410	(277,344)
General improvement bonds payable	6,370,000	-	6,370,000
Total noncurrent liabilities	<u>7,117,455</u>	<u>1,136,052</u>	<u>5,981,403</u>
TOTAL LIABILITIES	<u><u>13,182,914</u></u>	<u><u>4,524,531</u></u>	<u><u>8,658,383</u></u>
NET POSITION			
Net investment in capital assets	18,370,968	14,212,092	4,158,876
Restricted:			
Expendable:			
Instructional department uses	1,853,116	1,810,368	42,748
Capital projects	155,290	593,657	(438,367)
Unrestricted	9,178,854	8,279,700	899,154
Total net position	<u>29,558,228</u>	<u>24,895,817</u>	<u>4,662,411</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 42,741,142</u></u>	<u><u>\$ 29,420,348</u></u>	<u><u>\$ 13,320,794</u></u>

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Cash, cash equivalents and investments increased due to an increase in revenues over expenses, as well as, due to the proceeds from bonds and bond anticipation notes. Grants receivable decreased due to timing differences of when grant receipts were received by the College. Vouchers payable increased due to vendor payments that were incurred but not paid until after fiscal year end. Capital lease payable decreased due to current year lease payments made by the College. Capital assets increased due primarily to current year additions, which was partially offset by current year depreciation. Bond anticipation notes payable and General Improvement bonds payable increases are due to the debt issuances during the current fiscal year.

Net Position Changes - Component Unit- Zane State College Foundation

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
ASSETS			
Current Assets:			
Cash equivalents	\$ 4,733	\$ 6,060	\$ (1,327)
Investments	<u>339,312</u>	<u>289,590</u>	<u>49,722</u>
Total current assets	344,045	295,650	48,395
Noncurrent Assets:			
Land Held for College	25,000	0	25,000
Endowment Investments	<u>3,416,328</u>	<u>4,540,474</u>	<u>(1,124,146)</u>
Total noncurrent assets	3,441,328	4,540,474	(1,099,146)
TOTAL ASSETS	<u><u>\$ 3,785,373</u></u>	<u><u>\$ 4,836,124</u></u>	<u><u>\$ (1,050,751)</u></u>
NET POSITION			
Restricted:			
Nonexpendable:			
Scholarships	\$ 1,793,909	\$ 1,669,097	\$ 124,812
Expendable:			
Scholarships	227,372	1,295,059	(1,067,687)
Capital Projects	1,084,689	1,353,171	(268,482)
Unrestricted	<u>679,403</u>	<u>518,797</u>	<u>160,606</u>
Total net position	<u>3,785,373</u>	<u>4,836,124</u>	<u>(1,050,751)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,785,373</u></u>	<u><u>\$ 4,836,124</u></u>	<u><u>\$ (1,050,751)</u></u>

The decrease to Endowment Investments is due primarily to the Foundation giving scholarships and also giving contributions for capital projects.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Operating Revenues and Expenses for FY2013 versus FY2012
College

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
Operating Revenues			
Tuition and fees (net of scholarship allowance)	\$ 10,159,017	\$ 10,665,921	\$ (506,904)
State grants and contracts	237,022	73,817	163,205
Federal grants and contracts	1,258,557	1,764,666	(506,109)
Local grants	55,455	34,497	20,958
Private gifts, grants and contributions	98,399	193,000	(94,601)
Auxiliary services	2,978,529	3,489,117	(510,588)
Other	205,767	290,884	(85,117)
Total operating revenues	<u>14,992,746</u>	<u>16,511,902</u>	<u>(1,519,156)</u>
Operating Expenses (Includes depreciation expense)	<u>30,097,961</u>	<u>31,226,341</u>	<u>(1,128,380)</u>
Operating Loss	(15,105,215)	(14,714,439)	(390,776)
Nonoperating Revenues (Expenses)			
State Appropriations	6,168,873	6,038,314	130,559
Federal grants	9,151,201	8,608,707	542,494
Investment income	24,333	49,350	(25,017)
Other nonoperating revenues	11,850	-	11,850
Other nonoperating expenses	(463,302)	(51,398)	(411,904)
Net nonoperating revenues (expenses)	<u>14,892,955</u>	<u>14,644,973</u>	<u>247,982</u>
Income Before Other Revenues, Expenses, Gains, or Losses	(212,260)	(69,466)	(142,794)
Capital Contributions	<u>4,874,671</u>	<u>-</u>	<u>4,874,671</u>
Total Other Revenues	<u>4,874,671</u>	<u>-</u>	<u>4,874,671</u>
Increase (Decrease) in net position	4,662,411	(69,466)	4,731,877
Net Position, beginning of year	<u>24,895,817</u>	<u>24,965,283</u>	<u>(69,466)</u>
Net Position, end of year	<u>\$ 29,558,228</u>	<u>\$ 24,895,817</u>	<u>\$ 4,662,411</u>

Tuition and fees decreased due to lower enrollment in 2013 from 2012. Operating expenses decreased due primarily to student services, institutional support and book store expenses. Capital contributions increased due to monies received from the State and from the foundation for construction purposes. Other nonoperating expenses increased due to a loss on disposal of capital assets.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Changes in Revenues and Expenses for FY2013 versus FY2012
Component Unit- Zane State College Foundation

	<u>6/30/2013</u>	<u>6/30/2012 #</u>	<u>Net Change</u>
Operating Revenues			
In-kind Contribution (ZSC)*	\$ 144,068	\$ 124,878	\$ 19,190
Contributions	190,477	911,419	(720,942)
Total operating revenues	<u>334,545</u>	<u>1,036,297</u>	<u>(701,752)</u>
Operating Expenses	<u>251,287</u>	<u>245,353</u>	<u>5,934</u>
Operating Income	83,258	790,944	(707,686)
Nonoperating Revenues (Expenses)			
Investment income	284,356	4,082	280,274
College support - capital	(2,055,160)	(100,000)	(1,955,160)
Scholarships	(194,785)	(245,998)	51,213
Net nonoperating revenues (expenses)	<u>(1,965,589)</u>	<u>(341,916)</u>	<u>(1,623,673)</u>
Change in Net Position before			
Capital Contributions	(1,882,331)	449,028	(2,331,359)
Capital Contributions	<u>831,580</u>	<u>1,353,332</u>	<u>(521,752)</u>
Change in Net Position	(1,050,751)	1,802,360	(2,853,111)
Net Position, beginning of year	<u>4,836,124</u>	<u>3,033,764</u>	<u>1,802,360</u>
Net Position, end of year	<u>\$ 3,785,373</u>	<u>\$ 4,836,124</u>	<u>\$ (1,050,751)</u>

*See Note 10, page 27.

Certain reclassifications were made to the 2012 presentation to conform to the 2013 presentation.

Increases to investment income were due to increases in market value and types of investments held at June 30, 2013. Capital contributions decreased due to the Foundation receiving less donations for capital projects. College support – capital increased due to contributions made to the College for construction projects. Contributions decreased due to less regular fundraising during the current fiscal year.

Operating Expenses for FY2013 versus FY2012
College

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
Instructional	\$ 10,242,493	\$ 9,962,402	\$ 280,091
Academic support	1,526,718	1,660,079	(133,361)
Student services	9,326,076	9,956,835	(630,759)
Institutional support	3,527,458	3,718,659	(191,201)
Depreciation	1,385,272	1,479,163	(93,891)
Operation and maintenance of plant	1,372,243	1,279,713	92,530
Total Educational and General	<u>27,380,260</u>	<u>28,056,851</u>	<u>(676,591)</u>
Auxiliary Enterprises			
Bookstore	2,557,927	2,963,349	(405,422)
Security and other auxiliary	159,774	206,141	(46,367)
Total Auxiliary Enterprises	<u>2,717,701</u>	<u>3,169,490</u>	<u>(451,789)</u>
Total Operating Expenses	<u>\$ 30,097,961</u>	<u>\$ 31,226,341</u>	<u>\$ (1,128,380)</u>

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Instruction increased due to additional programs during the fiscal year. Student Services decreased as a direct result of decreased Pell and Federal Workstudy monies received. Academic Support decreased due to less DEI Grant monies received. The bookstore experienced a reduction in revenue and expenses due primarily to student cost saving initiatives including the expansion of the book rental program.

Operating Expenses for FY2013 versus FY2012
Component Unit- Zane State College Foundation

	<u>6/30/2013</u>	<u>6/30/2012 #</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
General and administrative	\$ 251,287	\$ 245,353	\$ 5,934
Total Educational and General	<u>251,287</u>	<u>245,353</u>	<u>5,934</u>
Total Operating Expenses	<u>\$ 251,287</u>	<u>\$ 245,353</u>	<u>\$ 5,934</u>

Certain reclassifications were made to the 2012 presentation to conform to the 2013 presentation.

The Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- an entity's ability to generate future net cash flows
- its ability to meet its obligations as they come due
- its need for external financing

Cash Flows
FY 2013 Versus FY 2012
College

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
Cash provided (used) by:			
Operating activities	\$ (13,373,869)	\$ (13,049,120)	\$ (324,749)
Noncapital financing activities	15,320,074	14,647,021	673,053
Capital and related financing activities	7,304,269	(962,672)	8,266,941
Investing activities	<u>24,333</u>	<u>49,350</u>	<u>(25,017)</u>
Net increase in cash	9,274,807	684,579	8,590,228
Cash, beginning of year	<u>10,485,206</u>	<u>9,800,627</u>	<u>684,579</u>
Cash, end of year	<u>\$ 19,760,013</u>	<u>\$ 10,485,206</u>	<u>\$ 9,274,807</u>

Noncapital financing activities are comprised of state appropriations and certain federal grants which do not meet the definition of operating activities.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Capital and Debt Administration

Capital Assets

At June 30, 2013, the College had \$19,845,200 invested in capital assets, net of accumulated depreciation of \$14,965,347. Depreciation charges totaled \$1,385,272 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net, at Year-End - College

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
Land	\$ 413,225	\$ 413,225	\$ -
Construction in Progress	6,380,526	419,342	5,961,184
Buildings	10,541,922	11,242,682	(700,760)
General infrastructure	267,618	268,227	(609)
Machinery and equipment	1,315,825	1,759,774	(443,949)
Computers	725,752	911,329	(185,577)
Computer Software	148,492	103,651	44,841
Motor Vehicles	33,732	10,109	23,623
Library books	18,108	18,129	(21)
Total Capital Assets, Net	<u>\$ 19,845,200</u>	<u>\$ 15,146,468</u>	<u>\$ 4,698,732</u>

The increase of \$4,698,732 in capital assets was mainly attributable to current year additions for construction in progress, which was partially offset by current year depreciation.

More detailed information regarding the College's capital assets is presented in Note 7 to the financial statements.

Debt

At June 30, 2013, the College had \$6,866,596 in debt outstanding versus \$934,376 in the previous year. The table below summarizes these amounts by type of debt instrument.

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
Lease Obligations	\$ 496,596	\$ 878,509	\$ (381,913)
General Improvement Bonds	6,370,000	-	6,370,000
Loans Payable	-	55,867	(55,867)
	<u>\$ 6,866,596</u>	<u>\$ 934,376</u>	<u>\$ 5,932,220</u>

More detailed information about the College's long-term liabilities is presented in Note 8 to the financial statements.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Economic Factors that Will Affect the Future

The bulk of the College's revenues come from the State (SSI) and from tuition & fees (enrollment). The State economy is gradually improving and the funding formula for distribution of funds to the two year college sector has been modified in recent years. Instead of being purely enrollment driven, it now focuses on completion and student success measures, areas where the College does better than the norm. The College is opening two new buildings for spring semester 2014. These new academic buildings, along with new programs of study, should bode well for enrollment growth. Growth should also be fueled from the expanding oil & gas activity in eastern Ohio, as the College offers education and training for this industry. The College saw a drop in enrollment with the transition, a year ago, from quarters to semesters. It should now be poised for a rebound in enrollment. Challenges to enrollment growth, in the short term, are an improving economy with more employment opportunities and the change in how Pell funds can be applied throughout the academic year. A push for more dual enrollment opportunities with area high schools will lead to enrollment growth, and eventually more SSI funding, but not necessarily an increase in tuition and fees.

Contacting the College's Financial Management

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Albert Brown, Vice-President for Business Services-Treasurer, at Zane State College, 1555 Newark Road, Zanesville, Ohio 43701.

Zane State College
Statement of Net Position
As of June 30, 2013

	College Zane State College	Unit Zane State College Foundation
<u>ASSETS</u>		
<i>Current Assets:</i>		
Cash, cash equivalents and investments	\$ 19,760,013	\$ 4,733
Investments - Money Market	-	339,312
Accounts receivable - students, net	2,494,285	-
Accounts receivable - vendors	136,016	-
Grants receivable	207,718	-
Inventory	297,910	-
Total current assets	22,895,942	344,045
<i>Noncurrent Assets:</i>		
Capital assets, net	19,845,200	-
Land held for College	-	25,000
Endowment investments	-	3,416,328
Total noncurrent assets	19,845,200	3,441,328
TOTAL ASSETS	\$ 42,741,142	\$ 3,785,373
<u>LIABILITIES</u>		
<i>Current Liabilities:</i>		
Accrued wages and benefits	\$ 678,563	\$ -
Vouchers payable	947,644	-
Capital lease payable	215,530	-
Compensated absences payable	54,716	-
Accrued interest payable	32,834	-
Unearned tuition and fees revenue	917,306	-
Deposits held in custody for others	218,866	-
Bond anticipation notes payable	3,000,000	-
Total current liabilities	6,065,459	-
<i>Noncurrent Liabilities:</i>		
Compensated absences	466,389	-
General improvement bonds payable	6,370,000	-
Capital lease payable	281,066	-
Total noncurrent liabilities	7,117,455	-
TOTAL LIABILITIES	13,182,914	-
<u>NET POSITION</u>		
Net investment in capital assets	18,370,968	-
Restricted:		
<i>Nonexpendable:</i>		
Scholarships	-	1,793,909
<i>Expendable:</i>		
Scholarships	-	227,372
Loans	-	-
Instructional Department uses	1,853,116	-
Capital projects	155,290	1,084,689
Unrestricted	9,178,854	679,403
Total net position	29,558,228	3,785,373
TOTAL LIABILITIES AND NET POSITION	\$ 42,741,142	\$ 3,785,373

See accompanying notes to the financial statements.

Zane State College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

	College Zane State College	Unit Zane State College Foundation
REVENUE:		
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$993,673)	\$ 10,159,017	\$ -
Local grants	55,455	-
In-kind contributions	-	144,068
Federal grants and contracts	1,258,557	-
State grants and contracts	237,022	-
Private gifts and grants	98,399	-
Contributions	-	190,477
Auxiliary Enterprises:		
Bookstore	2,803,983	-
Campus security	174,546	-
Other sources	205,767	-
Total Operating Revenues	14,992,746	334,545
EXPENSES:		
<i>Operating Expenses:</i>		
Educational and General:		
Instructional	10,242,493	-
Academic support	1,526,718	-
Student services	9,326,076	-
Institutional support	3,527,458	-
Depreciation	1,385,272	-
General & administrative	-	251,287
Operation and maintenance of plant	1,372,243	-
Total Educational and General	27,380,260	251,287
Auxiliary Enterprises:		
Bookstore	2,557,927	-
Campus security	155,506	-
Other auxiliary	4,268	-
Total Operating Expenses	30,097,961	251,287
Operating Loss	(15,105,215)	83,258
NONOPERATING REVENUES (EXPENSES):		
Federal grants	9,151,201	-
State appropriations	6,168,873	-
Investment income	24,333	284,356
Premium on issued debt	11,850	-
Loss on disposal of capital assets	(283,463)	-
Interest on capital asset-related debt	(71,232)	-
Bond issuance costs	(108,607)	-
Scholarships	-	(194,785)
College support - capital	-	(2,055,160)
Net nonoperating revenues (expenses)	14,892,955	(1,965,589)
Income before other revenues, expenses, gains or losses	(212,260)	(1,882,331)
Capital contributions	4,874,671	831,580
Total other revenues	4,874,671	831,580
Increase in Net Position	4,662,411	(1,050,751)
Net Position, Beginning of Year	24,895,817	4,836,124
Net Position, End of Year	\$ 29,558,228	\$ 3,785,373

See accompanying notes to the financial statements.

Zane State College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

	College	Component Unit
	Zane State College	Zane State College Foundation
<u>Cash Flows from Operating Activities:</u>		
Tuition and Fees	\$ 10,514,654	\$ -
Grants and Contracts	1,478,013	-
Payments to Suppliers	(12,708,913)	-
Payments to Employees for Wages and Benefits	(15,841,919)	-
Book Store	2,803,983	-
Campus Security	174,546	-
Contributions	-	190,477
Other Receipts	205,767	-
Other Expenses	-	(107,219)
Net Cash Provided (Used) by Operating Activities	<u>(13,373,869)</u>	<u>83,258</u>
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>		
State Appropriations	6,168,873	-
Federal Grants and Contracts	9,151,201	-
Scholarships	-	(194,785)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>15,320,074</u>	<u>(194,785)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Purchases of Capital Assets	(6,247,452)	(25,000)
Capital Contributions	4,874,671	831,580
College Support - Capital	-	(2,055,160)
Proceeds from Bond Anticipation Notes	3,000,000	-
Proceeds from General Improvement Bonds	6,370,000	-
Premium on Debt Issuance	11,850	-
Bond Issuance Costs	(108,607)	-
Principal Paid on Capital Leases and Loans	(557,790)	-
Interest Paid	(38,403)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>7,304,269</u>	<u>(1,248,580)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest on Investments	24,333	284,356
Proceeds from Sales and Maturities of Investments	-	4,349,891
Purchase of Investments	-	(3,225,745)
Net Cash Provided by Investing Activities	<u>24,333</u>	<u>1,408,502</u>
Net Increase in Cash and Cash Equivalents	9,274,807	48,395
Cash and Cash Equivalents at Beginning of Year	<u>10,485,206</u>	<u>295,650</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,760,013</u>	<u>\$ 344,045</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</u>		
Operating Income (Loss)	\$ (15,105,215)	\$ 83,258
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	1,385,272	-
<u>Change in Assets and Liabilities:</u>		
Accounts Receivable, net	352,914	-
Grants Receivable	238,173	-
Inventories	61,658	-
Vouchers Payable	437,266	-
Accrued Wages and Benefits	(257,022)	-
Compensated Absences	(80,045)	-
Deferred Revenue	(409,593)	-
Deposits Held in Custody for Others	2,723	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (13,373,869)</u>	<u>\$ 83,258</u>
<u>Non-Cash Transactions:</u>		
Acquisition of Capital Lease Assets	\$ 130,108	\$ -
In-kind Contributions	-	144,068
In-kind Disbursements	-	(144,068)
Deletion of Lease and Loans	(192,470)	-
Total Non-Cash Transactions	<u>\$ (62,362)</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 – DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

On September 19, 1969, the State of Ohio Board of Regents approved the charter of the Muskingum Area Technical Institute. In 1975, the College name was changed to the Muskingum Area Technical College. In 2004, the College name was changed to Zane State College (the College). The College is a technical institute as defined by Section 3357.01 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The College exposes students to job training leading to employment upon graduation and prepares students for continuation of their education in obtaining a four year degree.

The College's official service area consists of three counties: Muskingum, Guernsey, and Noble. However, a significant number of students also attend from Morgan, Coshocton, Licking and Perry counties.

In 1971, working with the Ohio Board of Regents, the Muskingum Area Technical Institute and the Ohio University began a cooperative effort to provide the community with a coordinated state-assisted higher education complex of academic-technical programs and physical facilities. Planning for a new campus was accelerated after the Ohio General Assembly, on June 12, 1972, approved a \$3 million appropriation for the construction of a new technical college facility. In March 1974 a master plan for the Muskingum Area Technical Institute and Ohio University-Zanesville campus was completed. This plan has guided campus development to the present time. An agreement for inter-institutional cooperation and coordination was signed on June 15, 1975, by Ohio University-Zanesville and Muskingum Area Technical Institute.

The College operates under a nine member appointed Board of Trustees, of which three are appointed by the Governor of the State of Ohio, and is responsible for the provision of public education to its student body.

The Zane State College Foundation is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Foundation is a non-profit, tax-exempt organization operated exclusively to provide support for the general educational needs of the College. Specific disclosures relating to the component unit can be found in Note 10.

The College is associated with an insurance purchasing pool, the Ohio College Association Workers' Compensation Group Rating Program. This organization is presented in Note 13 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the College over which the College has the ability to exercise direct operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as amended by GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 College must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the College on a reimbursement basis.

C. Cash and Cash Equivalents

This classification appears on the statement of net position and the statement of cash flows and includes cash on deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and presentation on the statement of net position, all investments with original maturities of three months or less at the time they are purchased by the College are presented on the financial statements as cash equivalents.

D. Investments

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

E. Receivables

Receivables consist of tuition and fees and charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursements of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized. 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings and infrastructure, 5 to 10 years for equipment, 4 to 5 years for computer software, 5 years for vehicles, and 5 years for library books and materials. Improvements are depreciated over the remaining useful lives of the related capital assets.

The College's policy is to capitalize net interest on construction projects until substantial completion of the projects. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2013, no material interest costs were incurred on construction projects for the College.

H. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include bonds and capital lease obligations and compensated absences that will not be paid within the next fiscal year.

I. Compensated Absences

The College follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for 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 College will compensate the employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Unearned Revenue

Unearned tuition and fees revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, related to the subsequent accounting period.

K. Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted Net Position – Expendable – Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position – Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

L. Scholarship Allowances and Student Aid

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students. Certain aid such as loans and funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.” Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal and most state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal grants, and investment income. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net position.

The College’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Budgetary Process

Annually, the Business Office develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue, including tuition and fees and the subsidy from the Ohio Board of Regents. The Board of Trustees approves the budget.

O. Income Taxes

Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

P. Use of Estimates

Management of the College has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Q. Bond Premiums/Issuance Costs

In the financial statements for fiscal year 2013 the bond premium was presented as a non-operating revenue due to insignificance and bond issuance costs were expensed in the year incurred.

NOTE 3 – STATE SUPPORT

The College is a state-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents.

In addition to the student subsidies, the State of Ohio provides the funding for the construction and renovation of major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds issued by the Ohio Public Facilities Commission (OPFC), which proceeds in turn cause the construction and subsequent lease of the facility to the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 3 – STATE SUPPORT (Cont.)

Neither the obligation for special obligation bonds issued by OPFC, nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These costs are currently being funded through appropriations to the Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the special obligation bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Outstanding debt issued by OPFC is not included on the College's statement of net position. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

NOTE 4 – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2013, the College's bank balance was \$20,496,541, of which \$1,000,000 was covered by FDIC and the remaining balance was collateralized by the financial institution's public entity deposit pool in the manner described above.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2013 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,700,002	\$ (205,717)	\$ 2,494,285
Grants	207,718	-	207,718
Vendor	<u>136,016</u>	<u>-</u>	<u>136,016</u>
 Total Accounts Receivable	 <u>\$ 3,043,736</u>	 <u>\$ (205,717)</u>	 <u>\$ 2,838,019</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College’s “long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.” Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At June 30, 2013, there was no net appreciation on donor-restricted assets available to be spent.

NOTE 7 – CAPITAL ASSETS

A summary of the changes in the capital assets is presented as follows:

	<u>Balance at</u> <u>7/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>6/30/2013</u>
Capital Assets, Non-Depreciable:				
Land	\$ 413,225	\$ -	\$ -	\$ 413,225
Construction in Progress	419,342	5,961,184	-	6,380,526
Total Non-Depreciable	<u>832,567</u>	<u>5,961,184</u>	<u>-</u>	<u>6,793,751</u>
Capital Assets, Depreciable:				
Buildings	21,999,175	-	-	21,999,175
General Infrastructure	382,998	14,960	-	397,958
Machinery and Equipment	3,164,881	156,448	(691,435)	2,629,894
Computers	1,755,491	112,560	-	1,868,051
Computer Software	339,913	94,932	-	434,845
Motor Vehicles	102,208	30,308	(10,150)	122,366
Library books	557,339	7,168	-	564,507
Total Depreciable	<u>28,302,005</u>	<u>416,376</u>	<u>(701,585)</u>	<u>28,016,796</u>
Less Accumulated Depreciation:				
Buildings	(10,756,493)	(700,760)	-	(11,457,253)
General Infrastructure	(114,771)	(15,569)	-	(130,340)
Machinery and Equipment	(1,405,107)	(306,841)	397,879	(1,314,069)
Computers	(844,162)	(298,137)	-	(1,142,299)
Computer Software	(236,262)	(50,091)	-	(286,353)
Motor Vehicles	(92,099)	(6,685)	10,150	(88,634)
Library books	(539,210)	(7,189)	-	(546,399)
Total Depreciation	<u>(13,988,104)</u>	<u>(1,385,272)</u>	<u>408,029</u>	<u>(14,965,347)</u>
Total Capital Assets, Depreciable, net	<u>14,313,901</u>	<u>(968,896)</u>	<u>(293,556)</u>	<u>13,051,449</u>
Capital Assets, net	<u>\$ 15,146,468</u>	<u>\$ 4,992,288</u>	<u>\$ (293,556)</u>	<u>\$ 19,845,200</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 8 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amount Due Within One Year
Compensated Absences	\$ 601,150	\$ 442,696	\$ (522,741)	\$ 521,105	\$ 54,716
General Improvement Bond	-	6,370,000	-	6,370,000	-
Loans	55,867	-	(55,867)	-	-
Lease Obligations	878,509	120,010	(501,923)	496,596	215,530
Long-Term Liabilities	\$ 1,535,526	\$ 6,932,706	\$ (1,080,531)	\$ 7,387,701	\$ 270,246

During fiscal year 2009, the College entered into a lease for the purchase of computers and related equipment. The lease agreement was issued in the amount of \$549,584 with an interest rate of 3.5%. This lease was discontinued during the current fiscal year.

During fiscal year 2011, the College entered into several leases for copiers and technology equipment. The leases were issued for a total amount of \$1,157,481 with interest rates ranging from 0% to 7.4%

During fiscal year 2012, the College entered into leases for telecommunications equipment and CADD software. The telecommunications lease was issued for a total amount of \$236,049 with an interest rate of 2.9%. The CADD software lease was issued for a total amount of \$49,025 with an interest rate of 5.15%.

During fiscal year 2013, the College entered into leases for technology equipment, CADD Lab, and Firewall software. The technology equipment lease was issued for the total amount of \$25,462 with an interest rate of 4.1%. The CADD Lab lease was issued for the total amount of \$63,326 with an interest rate of 4.1%. The firewall software lease was issue for the total amount of \$31,222 with an interest rate of 1.5%

During fiscal year 2103, the College issued general obligation bonds in the amount of \$6,370,000 for the purpose of construction projects. The bond will mature in December 2037 and was issued with an interest rate of 2.8%.

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

Fiscal Year Ending June 30	Principal	Interest
2014	\$ -	\$ 164,752
2015	205,000	162,702
2016	205,000	158,602
2017	210,000	154,452
2018	215,000	150,202
2019-2023	1,145,000	683,634
2024-2028	1,275,000	551,967
2029-2033	1,440,000	377,706
2034-2037	1,675,000	138,701
	<u>\$ 6,370,000</u>	<u>\$ 2,542,718</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 9 – CAPITAL LEASES

The College leases copiers, computers and related equipment under capital leases. Capital leases are capitalized as capital assets, net, with a corresponding liability. Capital assets acquired by lease have been capitalized in the statement of net position in the amount of \$1,056,029, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2013 totaled \$350,467. The principal amount does not match the amount on page 22 due to the discontinuation of certain leases for equipment.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2013:

<u>Year Ending December 31,</u>	
2014	\$235,815
2015	206,572
2016	64,696
2017	<u>23,608</u>
Minimum lease payments	530,691
Less: Amount representing interest at the College’s incremental borrowing rate	<u>(34,095)</u>
Present value of minimum lease payments	<u>\$496,596</u>

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION

Description of the Foundation

The Zane State College Foundation (hereinafter “the Foundation”) is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code, further, the Foundation is organized under Section 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code.

The Foundation is organized and shall be operated exclusively for directorial, scientific or charitable purposes by conducting or supporting activities which benefit, or carry out the purpose of Zane State College, a state institution of higher learning, authorized under Chapter 3357 of the Ohio Revised Code including, but not limited to the creation of an endowment fund for annual scholarships in each technology program, the improvement of technical laboratory equipment, and opportunities for the professional development of College employees.

Solely for the above purpose, the Foundation is empowered to exercise all rights and powers conferred by the laws of the State of Ohio upon nonprofit corporations, including, but not limited to:

- A. To accept, acquire, receive, take, and hold by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, whatever kind, nature or description and wherever situated;
- B. To seal, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the objects and purposes of the Foundation may require, subject to such limitations as may be prescribed by law; and
- C. To invest and reinvest its funds in such savings accounts, stocks, bonds, debentures, mortgages, or in such other securities, investments, and property as the Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with those provisions of the Internal Revenue Code and its regulations dealing with organizations exempt from taxation under Section 501(c)(3), as such provisions now exist or as they may hereafter be amended.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Summary of Significant Accounting Policies

Net Position Classifications

In the accompanying financial statements, assets with similar characteristics have been combined in the following net asset groups:

Unrestricted Assets – These assets are used for continuing activities, scholarships, and operations of the Foundation at the discretion of the Foundation’s governing body.

Restricted: Expendable – Temporarily Restricted Assets – A donor imposed restriction that permits the Foundation to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or by actions of the Foundation. The Foundation’s expenditures of temporarily restricted assets are restricted to scholarships and capital projects.

Restricted: Nonexpendable – Permanently Restricted Assets – A donor imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to expend part or all of the income or other economic benefit derived from the donated asset. The Foundation’s income derived from these resources is restricted to expenditures on scholarships.

Income Tax Status

The Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, the Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At June 30, 2013, the carrying amount of the Foundation’s deposits was \$4,733 and the bank balance of the Foundation’s deposits was \$4,733. At June 30, 2013, the entire amount was covered by Federal Deposit Insurance.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

The following summarizes the market value of investments at June 30, 2013:

Investment Type	Market Value	Years
		Less than 1
Common Stock	\$ 713,506	\$ 713,506
Mutual Funds	1,852,822	1,852,822
Corporate Bonds	850,000	850,000
Money Markets	339,312	339,312
	<u>\$ 3,755,640</u>	<u>\$ 3,755,640</u>

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation’s investment policy provides for management of the portfolio to minimize principal fluctuations with a long-term investment mix and with an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents.

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Foundation’s investment policy limits investments to the following categories: Equities, Fixed Income and Cash Equivalents. The benchmark for the domestic equity portion of the portfolio will be the S&P 500 Equity Index. The fixed income portfolio should have an average credit quality of “A”. Cash equivalents, if not guaranteed by the U.S. Government, should be the equivalent of A-2 by Standard and Poor’s or P-2 by Moody’s. The corporate bonds were rated A by Standard and Poor’s. The money market funds were rated AAAM. The mutual funds were not rated.

Concentration of credit risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in one single issuer.

The Foundation’s investment policy calls for initial targets of asset categories along with acceptable ranges in order to balance the risks as follows: an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents. It is the intent of the Foundation that as a general practice, the investment should remain in a range of +/- 10% of the target benchmarks.

Diversification. The equity portion will be diversified in terms of sector, industry, and company. No single equity position shall represent more than 10% of the equity investment fund. The fixed income portion should be properly diversified in terms of issuer, maturities/duration, and yield curve exposure. The fixed income portfolio may be invested in U.S. Government and agency obligations, marketable corporate bonds, mortgage-backed or asset-backed securities. The fixed income portfolio may include non-investment grade securities, with total exposure not to exceed 10% of the portfolio.

The Foundation’s investments categories are diversified in common stocks (multiple equity positions - 19%), mutual funds (multiple equity positions - 49%), corporate bonds (multiple equity positions – 23%), and money markets (multiple equity positions - 9%).

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

Custodial credit risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it.

The Foundation’s policy does not address custodial credit risk. All of the Foundation’s investments are held in the name of the Foundation.

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation’s own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Standard describes three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of investments held by the Foundation at June 30, 2013 is summarized as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 713,506	\$ -	\$ -
Mutual Funds	1,852,822	-	-
Corporate Bonds	850,000	-	-
Money Markets	339,312	-	-
	<u>\$ 3,755,640</u>	<u>\$ -</u>	<u>\$ -</u>

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any deficiencies of this nature as of June 30, 2013.

Donated Facilities/Operating Expenses

The Foundation occupies office space at Zane State College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation. Zane State College pays operating expenses for the Foundation. The value of the operating expenses paid by the College was \$144,068. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net position and is described in the revenue section as in-kind contributions (ZSC), see MD&A, page 8.

Net Assets Released from Restrictions

Net assets were released from donor restrictions in fiscal year 2013 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed \$194,785 in scholarships that related to the satisfaction of these donor restrictions.

Assets Held for College

The Foundation acquired land for \$25,000 which was held on behalf of the College as of June 30, 2013. The land will be transferred to the College during fiscal year 2014.

NOTE 11 – PENSION AND RETIREMENT PLANS

School Employees Retirement System

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$472,355, \$496,292, and \$493,136, respectively; which equal the required annual contribution for each year.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2013, 2012 and 2011, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$837,572, \$881,003, and \$802,265, respectively; which were equal to the required annual contribution for each year.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Alternative Retirement Plan

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant's compensation which would have otherwise been contributed to the State Retirement System that applies to the participant's position. There was one participant in the program. Contributions to the plan for the fiscal years ended June 30, 2013, 2012 and 2011 were \$16,257, \$16,756, and \$26,770, respectively.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 12 – POST-EMPLOYMENT BENEFITS

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent, respectively. For the College, contributions for the fiscal years ended June 30, 2013, 2012, and 2011 were \$24,967, \$26,580, and \$26,770, respectively, which equaled the required allocations for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the College, the amounts assigned to health care benefits, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled \$5,398, \$19,497, and \$50,370, respectively, which equaled the required allocations for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 12 – POST-EMPLOYMENT BENEFITS (Cont.)

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employer/Audit Resources*.

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. For the College, these amounts equaled \$59,827, \$62,929, and \$57,305, for fiscal years 2013, 2012, and 2011, respectively, which equaled the required allocation for those years.

NOTE 13 – RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the College contracted through the Young Insurance Agency for liability, property, vehicle insurance, and errors and omissions insurance with Ohio Casualty Company.

Coverage provided is as follows:

Umbrella Liability (\$10,000 retention)	\$ 4,000,000 limit
Building and Contents - replacement cost (\$10,000 deductible)	41,828,791 limit
Inland Marine Watercraft (\$250 deductible)	25,740 limit
Inland Marine Contractor Equipment (\$500 deductible)	33,782 limit
Inland Marine EDP coverage Main (\$1,000 deductible)	500,000 limit
Inland Marine EDP Coverage WPTC (\$1,000 deductible)	25,000 limit
Boiler and Machinery (\$10,000 deductible)	41,828,791 limit
Theft, Disappearance and Destruction (\$500 deductible)	100,000 limit
Employee Dishonesty Insurance	inside and outside premises 100,000 limit each employee
Automobile Liability - Bodily Injury and Property Damage (\$500 deductible)	1,000,000 each accident
General and Professional Liability Insurance	1,000,000 each occurrence 2,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 13 – RISK MANAGEMENT (Cont.)

B. Workers' Compensation

For fiscal year 2013, the College participated in the Ohio College Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating colleges is calculated as one experience and a common premium rate is applied to all colleges in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

NOTE 14 – CONTINGENCIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure 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 Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the College at June 30, 2013.

B. Litigation

The College is not currently party to any legal proceedings.

NOTE 15 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

Of the College's \$2,008,406 in restricted net position, none was restricted by enabling legislation.

NOTE 16 - NOTES PAYABLE

On December 20, 2012, the College issued Bond Anticipation Notes for the purpose of construction projects. The notes were issued in the amount of \$3,000,000 with an interest rate of 1.25%. The notes matured on December 19, 2013.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For 2013, the College implemented Governmental Accounting Standard Board (GASB) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year net position.

Zane State College
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
Appalachian Regional Commission				
<i>Direct from the Federal Agency:</i>				
Appalachian Area Development	N/A	23.002	\$ 896,405	\$ 897,878
Small Business Administration				
<i>Direct from the Federal Agency:</i>				
Small Business Development Center	N/A	59.037	66,186	65,183
United States Department of Education				
<i>Direct from the Federal Agency:</i>				
Student Financial Aid Cluster:				
Federal Direct Student Loans	N/A	84.268	11,353,883	11,353,883
Federal Work-Study Program	N/A	84.033	80,627	80,627
Federal Pell Grant Program	N/A	84.063	7,768,708	7,768,708
Total Student Financial Aid Cluster			19,203,218	19,203,218
Higher Education Institutional Aid	N/A	84.031	403,658	403,658
TRIO - Student Support Services	N/A	84.042	200,515	200,515
<i>Passed Through the Ohio Department of Education:</i>				
Career and Technical Education - Basic Grants to States	3L90	84.048	95,450	95,450
Total Passed Through the Ohio Department of Education			95,450	95,450
Total United States Department of Education			19,902,841	19,902,841
Total Federal Financial Assistance			\$ 20,865,432	\$ 20,865,902

See the Notes to the Schedule of Federal Awards Receipts and Expenditures

Zane State College
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Zane State College's (the College's) federal award programs' receipts and disbursements. The Schedule has been prepared on the accrual basis of accounting.

Note B – Federal Direct Student Loans Program

During the fiscal year ended June 30, 2013, the College processed \$11,353,883 of new loans under the Federal Direct Student Loans Program, CFDA #84.268. The College is responsible only for certain administrative duties with respect to federal guaranteed student loan programs.

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

January 24, 2014

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Perry & Associates
Certified Public Accountants, A.C.

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

January 24, 2014

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited **Zane State College's** (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Zane State College's major federal program for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the College's major federal program.

Management's Responsibility

The College's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Zane State College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Zane State College
Schedule of Audit Findings
OMB Circular A -133 § .505
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster: Federal Direct Student Loans CFDA #84.268, Federal Work-Study Program CFDA #84.033, Federal Pell Grant Program CFDA #84.063
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: > \$ 100,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

ZANE STATE COLLEGE

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 13, 2014**