



OHIO AUDITOR OF STATE
KEITH FABER



**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY
JUNE 30, 2018**

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MUSKINGUM COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

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* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 13, 2019

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Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The discussion and analysis of the Zanesville City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities increased \$18,778,635.
- General revenues accounted for \$42,071,334 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$15,708,406 or 27 percent of total revenues of \$57,779,740.
- The School District had \$39,001,105 in expenses relating to governmental activities; only \$15,708,406 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues in the amount of \$42,071,334 were adequate to provide for these programs.
- Long-term liabilities reflect a significant decrease as a result of pension and OPEB related items.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

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

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1 - Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$25,380,914	\$23,788,595	\$1,592,319
Capital Assets	69,685,868	72,421,957	(2,736,089)
Total Assets	<u>95,066,782</u>	<u>96,210,552</u>	<u>(1,143,770)</u>
Deferred Outflows of Resources			
Pension	14,876,424	11,423,750	3,452,674
OPEB	897,455	95,797	801,658
Total Deferred Outflows of Resources	<u>15,773,879</u>	<u>11,519,547</u>	<u>4,254,332</u>
Liabilities			
Current and Other Liabilities	6,345,948	6,128,964	216,984
Long-Term Liabilities:			
Due Within One Year	2,029,020	1,689,231	339,789
Due in More Than One Year:			
Net Pension Liability	43,997,727	57,556,023	(13,558,296)
Net OPEB Liability	10,243,285	11,990,730	(1,747,445)
Other Amounts	25,243,901	26,621,247	(1,377,346)
Total Liabilities	<u>87,859,881</u>	<u>103,986,195</u>	<u>(16,126,314)</u>
Deferred Inflows of Resources			
Property Taxes	6,153,330	8,099,453	(1,946,123)
Payment in Lieu of Taxes	2,093	2,113	(20)
Pension	1,934,569	671,643	1,262,926
OPEB	1,141,458	0	1,141,458
Total Deferred Inflows of Resources	<u>9,231,450</u>	<u>8,773,209</u>	<u>458,241</u>
Net Position			
Net Investment in Capital Assets	45,287,972	46,681,364	(1,393,392)
Restricted	4,895,226	4,662,661	232,565
Unrestricted (Deficit)	(36,433,868)	(56,373,330)	19,939,462
Total Net Position (Deficit)	<u><u>\$13,749,330</u></u>	<u><u>(\$5,029,305)</u></u>	<u><u>\$18,778,635</u></u>

Zanesville City School District, Ohio
Management's Discussion and Analysis
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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$6,865,628 to (\$5,029,305).

Total assets decreased \$1,143,770. Capital assets decreased \$2,736,089 which is mainly the result of yearly depreciation exceeding current year additions. Current assets increased by \$1,592,319, primarily due to an increase in equity in pooled cash and cash equivalents of \$953,123, an increase in cash and cash equivalents in segregated accounts of \$34,064, an increase in property taxes receivable of \$278,483, and an increase in intergovernmental receivables of \$277,896.

Deferred outflows of resources increased in the amount of \$4,254,332. This significant increase was primarily due to an increase in the changes of assumptions related to the School District's proportionate share of the net pension liability. In addition, deferred outflows of resources increased as a result of the differences between expected and actual experience relating to the OPEB liability.

Current and other liabilities increased \$216,984, due mainly to a net effect between an increase in claims payable of \$337,777, due to the actuarial amounts provided by the third party administrator for fiscal year end 2018 being higher than the estimated amounts provided for fiscal year end 2017, and a decrease in intergovernmental payable of \$148,939, due to a decrease in Ohio Department of Education Foundation revenues. Long-term liabilities, excluding the pension liability, decreased \$1,037,557 primarily due to debt principal payments.

Deferred inflows related to property taxes decreased in the amount of \$1,946,123. The School District receives property taxes from one county and this county changed their property tax collection dates. This resulted in an increase in the amount available as an advance (revenue) which proportionately decreased the deferred amount. Increases in pension/OPEB amounts offset this decrease for an overall increase in deferred inflows of resources in the amount of \$458,241.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the School District is improved as evidenced by the increase in net position in the amount of \$18,778,635. The largest change is in unrestricted net position, an increase of \$19,939,462, was due primarily to the change in pension and OPEB related items as discussed elsewhere. Net investment in capital assets decreased by \$1,393,392 as a combined result of retiring capital related debt and recognizing current year depreciation as discussed above.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, and comparisons to fiscal year 2017.

Table 2 - Changes in Net Position

Revenues	Governmental Activities		
	2018	2017	Change
Program Revenues:			
Charges for Services and Sales	\$2,356,724	\$2,252,742	\$103,982
Operating Grants, Contributions, and Interest	13,305,653	12,844,157	461,496
Capital Contributions	46,029	61,385	(15,356)
Total Program Revenues	15,708,406	15,158,284	550,122
General Revenue:			
Property Taxes	12,963,800	9,302,445	3,661,355
Payment in Lieu of Taxes	2,113	0	2,113
Grants and Entitlements	28,804,111	28,220,356	583,755
Gain on Sale of Capital Asset	105,425	223,397	(117,972)
Investment Earnings	70,565	2,001	68,564
Miscellaneous	125,320	112,825	12,495
Total General Revenues	42,071,334	37,861,024	4,210,310
Total Revenues	57,779,740	53,019,308	4,760,432
Program Expenses			
Instruction:			
Regular	15,605,601	25,894,153	(10,288,552)
Special	6,755,919	11,019,555	(4,263,636)
Vocational	97,342	226,077	(128,735)
Intervention	59,410	233,952	(174,542)
Support Services:			
Pupils	1,750,068	2,833,962	(1,083,894)
Instructional Staff	1,504,494	2,250,464	(745,970)
Board of Education	113,529	108,813	4,716
Administration	1,798,186	3,164,295	(1,366,109)
Fiscal	687,764	753,772	(66,008)
Operation and Maintenance of Plant	4,241,327	4,648,920	(407,593)
Pupil Transportation	1,730,514	1,837,256	(106,742)
Central	427,457	415,464	11,993
Operation of Non-Instructional Services:			
Food Service Operations	2,534,203	2,693,350	(159,147)
Other	317,417	882,676	(565,259)
Extracurricular Activities	531,635	837,639	(306,004)
Interest	846,239	912,729	(66,490)
Total Program Expenses	39,001,105	58,713,077	(19,711,972)
Change in Net Position	18,778,635	(5,693,769)	24,472,404
Net Position (Deficit) Beginning of Year	(5,029,305)	N/A	
Net Position (Deficit) End of Year	\$13,749,330	(\$5,029,305)	\$18,778,635

Zanesville City School District, Ohio
Management's Discussion and Analysis
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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$95,797 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,286,847. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$39,001,105
Negative OPEB expense under GASB 75	1,286,847
2018 contractually required contribution	<u>120,797</u>
Adjusted 2018 program expenses	40,408,749
Total 2017 program expenses under GASB 45	<u>58,713,077</u>
Decrease in program expenses not related to OPEB	<u><u>(\$18,304,328)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 11) As a result of these changes, pension expense decreased from \$4,777,530 in fiscal year 2017 to a negative pension expense of \$12,746,140 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$6,307,524)
Special	(3,452,965)
Vocational	(97,622)
Intervention	(71,653)
Support Services:	
Pupils	(785,476)
Instructional Staff	(232,087)
Administration	(1,013,403)
Fiscal	(3,768)
Operation and Maintenance of Plant	(12,040)
Pupil Transportation	(11,008)
Central	(2,539)
Operation of Non-Instructional Services:	
Food Service Operations	(10,989)
Other Services	(455,884)
Extracurricular Activities	<u>(289,182)</u>
Total Expenses	<u><u>(\$12,746,140)</u></u>

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Net position increased \$18,778,635. Revenues reflect an overall increase of \$4,760,432. This is due mainly to an increase in property taxes of \$3,661,355, an increase in grants and entitlements of \$583,755, an increase in operating grants, contributions, and interest of \$461,496, and an increase in charges for services and sales of \$103,982. The increase in general revenue grants and entitlements was the result of increases in State foundation revenues for fiscal year 2018. The increase in operating grants, contributions, and interest is due to the timing of federal and state grant receipts. The increase in property taxes is due to earlier collection of taxes. As explained earlier, the property tax revenue referred to as the amount available as an advance was available to the School District as of June 30, 2018 and can fluctuate according to the county's collection dates.

Instruction comprises approximately 58 percent of governmental program expenses, support services make up approximately 31 percent of the program expenses, operation of non-instructional services make up approximately 7 percent of program expenses, and the remaining 4 percent of program expenses is related to extracurricular activities and interest expenses of the School District.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 22 percent of revenues for governmental activities for the School District in fiscal year 2018. The remaining 78 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid.

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

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Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 3 - Cost of Services

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018	2018	2017	2017
Program Expenses				
Instruction:				
Regular	\$15,605,601	\$13,466,206	\$25,894,153	\$23,283,313
Special	6,755,919	(2,244,876)	11,019,555	3,066,760
Vocational	97,342	47,049	226,077	179,053
Intervention	59,410	59,410	233,952	233,952
Support Services:				
Pupils	1,750,068	1,745,456	2,833,962	2,833,567
Instructional Staff	1,504,494	753,519	2,250,464	1,204,381
Board of Education	113,529	113,529	108,813	108,813
Administration	1,798,186	1,601,681	3,164,295	2,989,934
Fiscal	687,764	686,151	753,772	752,484
Operation and Maintenance of Plant	4,241,327	4,090,822	4,648,920	4,485,358
Pupil Transportation	1,730,514	1,654,326	1,837,256	1,732,770
Central	427,457	413,826	415,464	409,191
Operation of Non-Instructional Services:				
Food Service Operations	2,534,203	92,272	2,693,350	323,068
Other	317,417	(231,813)	882,676	467,448
Extracurricular Activities	531,635	198,902	837,639	571,972
Interest	846,239	846,239	912,729	912,729
Totals	\$39,001,105	\$23,292,699	\$58,713,077	\$43,554,793

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. The dependence upon tax revenues and State subsidies for governmental activities is apparent, with approximately 60 percent of the School District's activities being supported through taxes and unrestricted grants and entitlements.

The School District's Major Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources in the amount of \$56,661,595 and expenditures and other financing uses in the amount of \$55,793,555.

The General Fund had total revenues and other financing sources of \$45,894,139 and expenditures and other financing uses of \$44,436,492. The General Fund's balance at June 30, 2018, increased \$1,457,647 as a primary result of an increase in property tax revenue due to changes in collection dates, as explained earlier. The General Fund has an ending fund balance of \$4,545,208.

The fund balance of the Bond Retirement Fund at June 30, 2018, is \$2,638,387, a decrease of \$128,800 from the prior year due to debt service payments exceeding the revenue received.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal 2018, the School District amended its General Fund budget. The School District monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The General Fund had original revenue budget estimates of \$44,687,402. The original budget estimates were increased to a final budget amount of \$45,003,002 for the fiscal year, which included the changes in the State of Ohio Department of Education entitlement calculations that occurred after the original budget estimates were complete. Actual revenues were \$597,071 less than final budgeted estimates, mainly due to actual grant revenues not being received prior to the end of the fiscal year. The amounts not received at fiscal year end are reflected as intergovernmental receivables.

The General Fund had original expenditure budget estimates of \$46,051,072. The original budget estimates were increased to a final budget amount of \$46,651,072 for the fiscal year, mainly due to increases in insurance costs, salaries, and benefits during the fiscal year. Actual expenditures were \$2,146,241 below final budgeted estimates. The School District had planned for additional expenditures in certain special cost centers within the General Fund that did not occur.

The School District's ending unobligated General Fund budgetary balance was \$2,649,170 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$69,685,868 invested in land, land improvements, buildings and building improvements, improvements other than buildings, and furniture, fixtures, equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

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

	2018	2017
Land	\$2,041,759	\$2,041,759
Land Improvements	68,107	68,107
Buildings and Building Improvements	64,314,002	66,711,739
Improvements Other Than Buildings	1,655,790	1,850,965
Furniture, Fixtures, Equipment and Vehicles	1,534,811	1,749,387
Construction in Progress	71,399	0
Totals	\$69,685,868	\$72,421,957

See Note 10 for more detailed information of the School District's capital assets.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Debt

At June 30, 2018, the School District had \$25,352,422 in bonds outstanding.

Table 5 - Total Outstanding Bonds, at Fiscal Year End

	2018	2017
2015 School Bus Bonds	\$207,375	\$307,681
2018 Property Acquisition & Improvement Bonds	325,000	0
2011 School Improvement Refunding Bonds	12,443,247	13,887,326
2012 School Improvement Refunding Bonds	12,376,800	12,548,603
Total Outstanding Bonds	\$25,352,422	\$26,743,610

See Note 14 for more detailed information of the School District's debt.

Economic Factors

The Zanesville City School District relies upon local property taxes and State foundation/grant monies to fund its operations. In fiscal year 2018, the School District received approximately 58 percent of its revenues from the State foundation program/grants and 22 percent from local property taxes.

During fiscal year 2018, the School District was able to reduce projected expenditures through a reduction in personnel through attrition which resulted in an increase in the General Fund balance. The School District is considered a "capped district" with regards to the current Ohio Department of Education funding formula. This means that although the funding formula indicates a certain revenue amount allocated for the School District, the percentage of increase from prior year to current year funding was limited or "capped" at percentages outlined in each two year biennium State budget.

The Board of Education and Administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure financial stability. According to the most recent Board-approved five year forecast, the School District projected deficit spending continuing in fiscal year 2019. However, projected ending cash balances were forecasted to be positive in 2020 and negative throughout the last three years of the latest forecast.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact Michael Young, Treasurer, Zanesville City School District, 956 Moxahala Ave, Zanesville, Ohio 43701. You may also email the Treasurer at myoung@zanesville.k12.oh.us.

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Zanesville City School District, Ohio
Statement of Net Position
June 30, 2018

	Primary Government	Component Unit
	Governmental Activities	Zanesville Community High School
Assets		
Equity in Pooled Cash and Cash Equivalents	\$8,048,159	\$668,099
Cash and Cash Equivalents in Segregated Accounts	417,048	0
Accounts Receivable	17,816	0
Inventory Held for Resale	17,718	0
Materials and Supplies Inventory	5,647	0
Accrued Interest Receivable	6,731	0
Prepaid Items	29,997	15,635
Due from Component Unit	181,786	0
Payment in Lieu of Taxes Receivable	2,093	0
Property Taxes Receivable	14,241,402	0
Intergovernmental Receivable	2,412,517	47,554
Nondepreciable Capital Assets	2,181,265	0
Depreciable Capital Assets, Net	67,504,603	9,348
<i>Total Assets</i>	<u>95,066,782</u>	<u>740,636</u>
Deferred Outflows of Resources		
Pension	14,876,424	0
OPEB	897,455	0
<i>Total Deferred Outflows of Resources</i>	<u>15,773,879</u>	<u>0</u>
Liabilities		
Matured Compensated Absences Payable	44,934	0
Accounts Payable	353,471	14,229
Contracts Payable	20,209	0
Accrued Wages and Benefits Payable	4,063,028	0
Due to Primary Government	0	181,786
Accrued Interest Payable	70,670	0
Intergovernmental Payable	932,432	314
Claims Payable	861,204	0
Long-Term Liabilities:		
Due Within One Year	2,029,020	0
Due In More Than One Year:		
Net Pension Liability (See Note 11)	43,997,727	0
Net OPEB Liability (See Note 12)	10,243,285	0
Other Amounts Due in More Than One Year	25,243,901	0
<i>Total Liabilities</i>	<u>87,859,881</u>	<u>196,329</u>
Deferred Inflows of Resources		
Property Taxes	6,153,330	0
Payment in Lieu of Taxes	2,093	0
Pension	1,934,569	0
OPEB	1,141,458	0
<i>Total Deferred Inflows of Resources</i>	<u>9,231,450</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	45,287,972	9,348
Restricted for:		
Unclaimed Monies	4,324	0
Food Service Operations	44,759	0
Athletic and Music	109,809	0
Federal Grants	665,142	0
State Grants	199,337	0
Local Grants	140,314	0
Scholarships	72,935	0
Debt Service	3,147,371	0
Capital Projects	43,204	0
Classroom Facilities Maintenance	468,031	0
Unrestricted (Deficit)	(36,433,868)	534,959
<i>Total Net Position</i>	<u>\$13,749,330</u>	<u>\$544,307</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,394,120	\$1,932,677	\$1,717,038	\$8,043,835
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,324	0	0	4,324
Accounts Receivable	14,371	0	0	14,371
Accrued Interest Receivable	6,731	0	0	6,731
Intergovernmental Receivable	409,488	0	2,003,029	2,412,517
Inventory Held for Resale	0	0	17,718	17,718
Materials and Supplies Inventory	0	0	5,647	5,647
Interfund Receivable	549,018	0	11,736	560,754
Due from Component Unit	181,786	0	0	181,786
Prepaid Items	23,423	0	6,574	29,997
Payment in Lieu of Taxes Receivable	1,711	348	34	2,093
Property Taxes Receivable	11,756,305	2,262,039	223,058	14,241,402
<i>Total Assets</i>	<u>\$17,341,277</u>	<u>\$4,195,064</u>	<u>\$3,984,834</u>	<u>\$25,521,175</u>
Liabilities				
Matured Compensated Absences Payable	\$44,934	\$0	\$0	\$44,934
Accounts Payable	256,194	0	97,277	353,471
Contracts Payable	0	0	20,209	20,209
Accrued Wages and Benefits Payable	3,425,308	0	637,720	4,063,028
Interfund Payable	9,929	0	550,825	560,754
Intergovernmental Payable	810,592	0	121,840	932,432
<i>Total Liabilities</i>	<u>4,546,957</u>	<u>0</u>	<u>1,427,871</u>	<u>5,974,828</u>
Deferred Inflows of Resources				
Property Taxes	5,080,298	976,675	96,357	6,153,330
Payment in Lieu of Taxes	1,711	348	34	2,093
Unavailable Revenue	3,167,103	579,654	1,479,067	5,225,824
<i>Total Deferred Inflows of Resources</i>	<u>8,249,112</u>	<u>1,556,677</u>	<u>1,575,458</u>	<u>11,381,247</u>
Fund Balances				
Non-Spendable				
Inventories	0	0	5,647	5,647
Prepays	23,423	0	6,574	29,997
Unclaimed Monies	4,324	0	0	4,324
Restricted for:				
Food Service Operations	0	0	122,821	122,821
Athletics and Music	0	0	109,809	109,809
State Grants	0	0	23,337	23,337
Local Grants	0	0	140,314	140,314
Scholarships	0	0	72,935	72,935
Debt Service	0	2,638,387	0	2,638,387
Capital Improvements	0	0	84,858	84,858
Classroom Facilities Maintenance	0	0	410,969	410,969
Assigned to:				
Assigned to Subsequent Year's Appropriations	89,731	0	0	89,731
Purchases on Order	9,172	0	0	9,172
Capital Improvements	0	0	564,918	564,918
Other Purposes	29,441	0	0	29,441
Unassigned (Deficit)	4,389,117	0	(560,677)	3,828,440
<i>Total Fund Balances</i>	<u>4,545,208</u>	<u>2,638,387</u>	<u>981,505</u>	<u>8,165,100</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$17,341,277</u>	<u>\$4,195,064</u>	<u>\$3,984,834</u>	<u>\$25,521,175</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
 Reconciliation of the Governmental Funds Balance Sheet to
 the Statement of Net Position
 June 30, 2018

Total Governmental Fund Balances		\$8,165,100
<i>Amounts reported for governmental activities in the statement of net position are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		69,685,868
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(440,711)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	3,595,232	
Intergovernmental	1,625,940	
Tuition and Fees	4,652	5,225,824
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available resources and therefore are not reported in the funds.		(70,670)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Refunding Bonds Payable	(24,820,047)	
School Bus Bonds Payable	(207,375)	
Property Acquisition & Improvement Bonds Payable	(325,000)	
Compensated Absences Payable	(1,920,499)	(27,272,921)
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	14,876,424	
Deferred Inflows - Pension	(1,934,569)	
Net Pension Liability	(43,997,727)	
Deferred Outflows - OPEB	897,455	
Deferred Inflows - OPEB	(1,141,458)	
Net OPEB Liability	(10,243,285)	(41,543,160)
<i>Net Position of Governmental Activities</i>		\$13,749,330

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$10,241,376	\$2,080,583	\$193,443	\$12,515,402
Payment in Lieu of Taxes	1,720	359	34	2,113
Intergovernmental	33,423,980	391,026	7,010,334	40,825,340
Investment Earnings	70,518	0	17	70,535
Tuition and Fees	1,688,232	0	0	1,688,232
Extracurricular Activities	85,783	0	227,360	313,143
Rentals	200	0	0	200
Charges for Services	228,992	0	128,412	357,404
Contributions and Donations	28,098	0	270,708	298,806
Miscellaneous	125,140	0	180	125,320
<i>Total Revenues</i>	<u>45,894,039</u>	<u>2,471,968</u>	<u>7,830,488</u>	<u>56,196,495</u>
Expenditures				
Current:				
Instruction:				
Regular	21,930,327	0	313,683	22,244,010
Special	6,862,347	0	3,565,810	10,428,157
Vocational	211,209	0	0	211,209
Intervention	130,888	0	0	130,888
Support Services:				
Pupils	2,573,822	0	5,472	2,579,294
Instructional Staff	1,022,707	0	723,131	1,745,838
Board of Education	112,804	0	0	112,804
Administration	2,769,631	0	180,835	2,950,466
Fiscal	664,548	36,036	3,485	704,069
Operation and Maintenance of Plant	3,866,511	0	270,397	4,136,908
Pupil Transportation	1,528,602	0	96,882	1,625,484
Central	427,707	0	10,800	438,507
Operation of Non-Instructional Services:				
Food Service Operations	0	0	2,496,568	2,496,568
Other	314,140	0	474,212	788,352
Extracurricular Activities	521,249	0	295,654	816,903
Capital Outlay	0	0	319,366	319,366
Debt Service:				
Principal Retirement	0	1,422,065	0	1,422,065
Interest and Fiscal Charges	0	834,425	0	834,425
Accretion of Capital Appreciation Bonds	0	308,242	0	308,242
<i>Total Expenditures</i>	<u>42,936,492</u>	<u>2,600,768</u>	<u>8,756,295</u>	<u>54,293,555</u>
<i>Excess of Revenues Under Expenditures:</i>	<u>2,957,547</u>	<u>(128,800)</u>	<u>(925,807)</u>	<u>1,902,940</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	0	325,000	325,000
Proceeds from Sale of Capital Assets	100	0	140,000	140,100
Transfers Out	(1,500,000)	0	0	(1,500,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,499,900)</u>	<u>0</u>	<u>465,000</u>	<u>(1,034,900)</u>
<i>Net Change in Fund Balances</i>	1,457,647	(128,800)	(460,807)	868,040
Fund Balances Beginning of Year	3,087,561	2,767,187	1,442,312	7,297,060
<i>Fund Balances End of Year</i>	<u>\$4,545,208</u>	<u>\$2,638,387</u>	<u>\$981,505</u>	<u>\$8,165,100</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
 Reconciliation of the Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		\$868,040
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	420,104	
Depreciation Expense	<u>(3,121,518)</u>	(2,701,414)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds from the sale of capital assets and loss on the sale of capital assets.		
Gain on the Sale of Capital Assets	105,425	
Proceeds from the Sale of Capital Assets	<u>(140,100)</u>	(34,675)
The internal service fund provided by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net change of the internal service fund is reported with governmental activities.		
		799,732
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported as revenues and expenditures in the funds:		
Tuition and Fees	(2,255)	
Intergovernmental	1,031,630	
Delinquent Property Taxes	<u>448,398</u>	1,477,773
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. The accretion of capital appreciation bonds and the amortization of premiums and discounts are reported on the statement of activities:		
Accrued Interest Payable	2,305	
Discount Amortization	(7,399)	
Premium Amortization	211,377	
Accretion of Capital Appreciation Bonds	<u>(218,097)</u>	(11,814)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Vacation Benefits Payable	173,628	
Compensated Absences Payable	<u>(353,631)</u>	(180,003)
Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets:		
Property Acquisition & Improvement Bonds		(325,000)
Repayment of principal and advance refundings are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Refunding Bonds	1,280,000	
School Bus Bonds	100,306	
Accretion of Capital Appreciation Bonds	308,242	
Capital Appreciation Bonds	<u>41,759</u>	1,730,307
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	3,001,905	
OPEB	<u>120,797</u>	\$3,122,702
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
Pension	12,746,140	
OPEB	<u>1,286,847</u>	<u>\$14,032,987</u>
Change in Net Position of Governmental Activities		<u>\$18,778,635</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$8,806,612	\$8,868,807	\$8,751,141	(\$117,666)
Payment in Lieu of Taxes	1,731	1,743	1,720	(23)
Intergovernmental	33,808,194	34,046,960	33,595,247	(451,713)
Investment Earnings	94,967	95,638	94,369	(1,269)
Tuition and Fees	1,725,784	1,737,972	1,714,914	(23,058)
Extracurricular Activities	151	153	151	(2)
Rentals	200	203	200	(3)
Charges for Services	224,099	225,681	222,687	(2,994)
Contributions and Donations	10,567	10,641	10,500	(141)
Miscellaneous	14,997	15,104	14,902	(202)
<i>Total Revenues</i>	<u>44,687,302</u>	<u>45,002,902</u>	<u>44,405,831</u>	<u>(597,071)</u>
Expenditures				
Current:				
Instruction:				
Regular	22,164,042	22,472,361	21,904,231	568,130
Special	7,469,375	7,566,694	7,040,161	526,533
Vocational	240,085	243,213	226,289	16,924
Intervention	134,885	136,642	127,134	9,508
Support Services:				
Pupils	2,753,649	2,789,527	2,595,416	194,111
Instructional Staff	1,125,015	1,139,673	1,060,368	79,305
Board of Education	97,556	98,827	91,950	6,877
Administration	2,950,821	2,989,267	2,781,257	208,010
Fiscal	708,014	717,238	667,329	49,909
Operation and Maintenance of Plant	4,009,334	4,061,572	3,778,945	282,627
Pupil Transportation	1,634,346	1,655,640	1,540,431	115,209
Central	461,866	467,884	435,326	32,558
Other Non-Instructional Services	364,360	369,107	343,423	25,684
Extracurricular Activities	437,724	443,427	412,571	30,856
<i>Total Expenditures</i>	<u>44,551,072</u>	<u>45,151,072</u>	<u>43,004,831</u>	<u>2,146,241</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	136,230	(148,170)	1,401,000	1,549,170
Other Financing Source				
Advances In	0	0	1,100,000	1,100,000
Proceeds from Sale of Capital Assets	100	100	100	0
Transfers Out	(1,500,000)	(1,500,000)	(1,500,000)	0
<i>Total Other Financing Source (Use)</i>	<u>(1,499,900)</u>	<u>(1,499,900)</u>	<u>(399,900)</u>	<u>1,100,000</u>
<i>Net Change in Fund Balance</i>	(1,363,670)	(1,648,070)	1,001,100	2,649,170
Fund Balance Beginning of Year	3,858,529	3,858,529	3,858,529	0
Prior Year Encumbrances Appropriated	25,552	25,552	25,552	0
<i>Fund Balance End of Year</i>	<u>\$2,520,411</u>	<u>\$2,236,011</u>	<u>\$4,885,181</u>	<u>\$2,649,170</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio

Statement of Fund Net Position

Self-Insurance Internal Service Fund

June 30, 2018

Current Assets

Cash and Cash Equivalents in Segregated Accounts \$417,048

Receivables:

Accounts 3,445

Total Assets

420,493

Current Liabilities

Claims Payable 861,204

Net Position

Unrestricted (Deficit) (\$440,711)

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2018

Operating Revenues	
Charges for Services	<u>\$8,626,206</u>
Operating Expenses	
Purchased Services	993,000
Claims	<u>8,333,521</u>
<i>Total Operating Expenses</i>	<u>9,326,521</u>
<i>Operating Loss</i>	(700,315)
Non-Operating Revenue	
Investment Income	<u>47</u>
<i>Loss Before Contributions and Transfers</i>	(700,268)
Transfers In	<u>1,500,000</u>
<i>Change in Net Position</i>	799,732
<i>Net Position (Deficit) Beginning of Year</i>	<u>(1,240,443)</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>(\$440,711)</u></u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Cash Flows
Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2018

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$8,626,206
Cash Payments for Services	(993,000)
Cash Payments for Claims	<u>(7,999,189)</u>

Net Cash Used for Operating Activities (365,983)

Cash Flows from Noncapital Financing Activities

Advances Out	(1,100,000)
Transfers In	<u>1,500,000</u>

Net Cash Provided by Noncapital Financing Activities 400,000

Interest on Investments 47

Net Increase in Cash and Cash Equivalents 34,064

Cash and Cash Equivalents Beginning of Year 382,984

Cash and Cash Equivalents End of Year \$417,048

**Reconciliation of Operating Loss to Net Cash
Used for Operating Activities**

Operating Loss (\$700,315)

Changes in Liabilities

Increase in Accounts Receivable	(3,445)
Increase in Claims Payable	<u>337,777</u>

Net Cash Used for Operating Activities (\$365,983)

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio

Statement of Assets and Liabilities

Agency Funds

June 30, 2018

Assets

Equity in Pooled Cash and Cash Equivalents \$30,336

Liabilities

Due to Students \$27,040

Due to Others 3,296

Total Liabilities \$30,336

See accompanying notes to the basic financial statements

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Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1849 when the first Zanesville High School was built with an enrollment of 50 students. The School District serves the City of Zanesville and is located in Muskingum County. The School District is staffed by 195 classified employees and 272 certificated full-time teaching personnel and administrative employees providing education to 4,228 students. The School District currently operates six instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

Discretely Presented Component Unit The component unit information on the statement of net position and the statement of activities identifies the financial data of the School District's component unit, Zanesville Community High School. It is reported separately to emphasize that it is legally separate from the School District.

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The Zanesville Community High School operates under the direction of a six-member Governing Authority made up of five voting community members appointed by the sponsor's non-voting six-member Board of Directors. All governing authority members live and/or work in the Zanesville-Muskingum County community as well as to represent the interest of the Muskingum County community. The Sponsor is able to impose its will on Zanesville Community High School and, due to Zanesville Community High School's relationship with the Sponsor, it would be misleading to exclude Zanesville Community High School. The Sponsor can suspend the Zanesville Community High School's operations for any of the following reasons: 1) The Zanesville Community High School's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Zanesville Community High School's failure to meet generally accepted standards of fiscal management, 3) The Zanesville Community High School's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Zanesville Community High School uses the facilities of the Sponsor. Separately issued financial statements can be obtained from the Zanesville Community High School, 956 Moxahala Avenue, Zanesville, Ohio 43701.

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association (META), Mid-East Career and Technology Centers, Coalition of Rural and Appalachian Schools, Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program, and Ohio School Benefits Cooperative (OSBC). These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

Fund Accounting

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

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

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

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

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

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

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest earnings, tuition, and grants.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 20. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 11 and 12)

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

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

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund.

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

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

Cash and Cash Equivalents

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

The School District has two segregated bank accounts for self-insurance monies held separate from the School District's central bank account. These depository accounts are presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the School District's treasury.

At the end of fiscal year 2018, the School District's investments are limited to federal agency securities and negotiable certificates of deposit, which are reported at fair value based on matrix quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$70,518, which includes \$27,807 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

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

Capital Assets

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

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

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

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

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

Interfund Balances

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

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

Bond Premium and Discounts

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Internal Activity

Transfers within governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents restricted for unclaimed monies. Unclaimed monies that are required to be held for five years before they may be utilized by the School District are reported as restricted.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It can also include the long-term amount of loans receivable, prepaids, as well as inventory, unless the use of the proceeds from the collection of those receivables, or from the use of the prepaids or inventory, is restricted, committed, or assigned.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2019's appropriated budget.

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

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources required to be used for local resources restricted to expenditures for specified purposes.

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Extraordinary and Special Items

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

Estimates

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

Operating Revenues and Expenses

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

Note 3 - Changes in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Net Position June 30, 2017	\$6,865,628
Adjustments:	
Net OPEB Liability	(11,990,730)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>95,797</u>
Restated Net Position June 30, 2017	<u><u>(\$5,029,305)</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 - Accountability

The following funds had deficit fund balances as of June 30, 2018:

	<u>Deficit</u>
Special Revenue Funds:	
Title I	\$297,750
IDEA Part B	167,245
Miscellaneous Federal Grants	89,871
Internal Service Fund:	
Self-Insurance	440,711

These deficits are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover these deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Prepaid items, fair value adjustments for investments, and negative cash advances to other funds are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

4. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP Reporting.
6. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$1,457,647
Revenue Accruals	(1,602,549)
Expenditure Accruals	(162,766)
Beginning:	
Prepaid Items	21,888
Adjustment to fair value of investments	(43,322)
Negative cash advances to other funds	841,824
Ending:	
Prepaid Items	(23,423)
Adjustment to fair value of investments	(19,516)
Negative cash advances to other funds	(549,018)
Advances In	1,100,000
To reclassify excess of revenues and other sources of financial resources over expenditures into financial statement fund types	(8,201)
Encumbrances	<u>(11,464)</u>
Budget Basis	<u><u>\$1,001,100</u></u>

Note 6 - Deposits and Investments

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

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

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

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Investments As of June 30, 2018, the School District had the following investment. All investments are in an internal investment pool.

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Percent of Total Investments</u>
Fair Value - Level Two Input					
Federal Home Loan Bank Bond	\$499,815	7/14/2021	AAA	Moody's	20.28%
Negotiable Certificates of Deposit	<u>1,965,013</u>	9/24/2018 - 9/28/2020	n/a	n/a	<u>79.72%</u>
Total	\$2,464,828				100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

Credit Risk The credit ratings for the School District's securities are listed above. Ohio law requires that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Property Taxes and Tax Abatements

Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Muskingum County. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

At June 30, 2018, \$3,717,491 was available as an advance in the General Fund, \$705,710 in the Bond Retirement Debt Service Fund, and \$69,639 in the Classroom Facilities Maintenance Special Revenue Fund. At June 30, 2017, \$2,227,256 was available as an advance in the General Fund, \$447,220 in the Bond Retirement Debt Service Fund, and \$42,156 in the Classroom Facilities Maintenance Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$233,375,920	61.91%	\$233,798,230	61.79%
Commercial/Industrial and Public Utility Real	125,804,810	33.37%	125,631,970	33.20%
Public Utility Personal	17,775,840	4.72%	18,960,550	5.01%
Total Assessed Value	<u>\$376,956,570</u>	<u>100.00%</u>	<u>\$378,390,750</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.80		\$49.15	

The decrease in the tax rates was due to an adjustment in the bond levy rates. Tax rates are adjusted according to the amount to be generated for the bond levies. Bond levy rates are adjusted based upon amounts necessary for the retirement of debt service in order to collect the fixed amount approved.

Tax Abatements

The School District property taxes were reduced by an Enterprise Zone Tax Exemption agreement entered into by the City of Zanesville. The amount of the fiscal year 2018 taxes abated was \$11,137.

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Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 8 - Receivables

Receivables at June 30, 2018, consisted of property taxes, payment in lieu of taxes, accrued interest, accounts, intergovernmental, and interfund receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$3,595,232 at fiscal year end.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities</u>	
Ohio Department of Education - Foundation Adjustment	\$72,874
Food Service	43,750
Reimbursements from Other School Districts	13,325
Ohio Bureau of Workers Compensation Refund	97,841
Medicaid Reimbursements	222,929
Ohio Facilities Construction Commission Reimbursements	35,700
Muskingum County Soil & Water Conservation District Reimbursement	2,519
Public Preschool Grant	176,000
Early Childhood Special Education Grant	5,841
Title VI-B Grant	252,757
Title VI-B Grant - Rural and Low Income	66,329
Title IV-A Grant	36,244
Title I Grant	1,181,608
Title II-A Grant	49,678
21st Century Grant	<u>155,122</u>
Total Intergovernmental Receivables	<u><u>\$2,412,517</u></u>

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Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 9 - Interfund Balances and Advances / Transfers

Interfund Balances

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General Fund	\$549,018	\$9,929
Other Nonmajor Governmental Funds:		
Miscellaneous State Grants	11,736	0
Title VI-B	0	112,048
Title I	0	342,594
Miscellaneous Federal Grants	0	96,183
Total Other Nonmajor Governmental Funds	<u>11,736</u>	<u>550,825</u>
Total All Funds	<u><u>\$560,754</u></u>	<u><u>\$560,754</u></u>

Interfund balances are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization; and to segregate and to return money to the fund from which it was originally provided once a project is completed.

Advances / Transfers

In prior years, the School District had advanced \$1,100,000 from the General Fund to the Self-Insurance Internal Service Fund. In fiscal year 2018, the School District passed appropriate Board of Education resolutions and reclassified these advances to transfers from the General Fund to the Self-Insurance Internal Service Fund. During fiscal year 2018, the School District transferred an additional \$400,000 from the General Fund to the Self-Insurance Internal Service Fund.

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Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Capital Assets				
Land	\$2,041,759	\$0	\$0	\$2,041,759
Land Improvements	68,107	0	0	68,107
Construction in Progress	0	71,399	0	71,399
Total Nondepreciable Capital Assets	2,109,866	71,399	0	2,181,265
Depreciable Capital Assets				
Buildings and Building Improvements	88,466,178	200,000	(108,200)	88,557,978
Improvements Other Than Buildings	4,061,933	0	(7,524)	4,054,409
Furniture, Fixtures, Equipment and Vehicles	5,261,869	148,705	(19,550)	5,391,024
Total at Estimated Historical Cost	97,789,980	348,705	(135,274)	98,003,411
Less Accumulated Depreciation				
Buildings and Building Improvements	(21,754,439)	(2,563,062)	73,525	(24,243,976)
Improvements Other Than Buildings	(2,210,968)	(195,175)	7,524	(2,398,619)
Furniture, Fixtures, Equipment and Vehicles	(3,512,482)	(363,281)	19,550	(3,856,213)
Total Accumulated Depreciation	(27,477,889)	(3,121,518) *	100,599	(30,498,808)
Depreciable Capital Assets, Net of Accumulated Depreciation	70,312,091	(2,772,813)	(34,675)	67,504,603
Governmental Activities Capital Assets, Net	\$72,421,957	(\$2,701,414)	(\$34,675)	\$69,685,868

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular Instruction	\$1,322,765
Special Instruction	719,308
Vocational Instruction	10,139
Intervention Instruction	19,936
Support Services:	
Pupils	160,020
Instructional Staff	76,766
Board of Education	725
Administration	167,121
Fiscal	4,571
Operation and Maintenance of Plant	114,668
Pupil Transportation	172,639
Central	8,962
Operation of Non-instructional Services:	
Food Service Operations	61,795
Other	0
Other Services	109,144
Extracurricular Activities	172,959
Total Depreciation Expense	\$3,121,518

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 11 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$763,211 for fiscal year 2018. Of this amount, \$109,203 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The School District's contractually required contribution to STRS was \$2,238,694 for fiscal year 2018. Of this amount, \$329,267 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability Prior Measurement Date	0.16279450%	0.13635153%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.17317890%</u>	<u>0.14165593%</u>	
Change in Proportionate Share	<u>0.01038440%</u>	<u>0.00530440%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$10,347,057	\$33,650,670	\$43,997,727
Pension Expense	(\$81,287)	(\$12,664,853)	(\$12,746,140)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$445,301	\$1,299,430	\$1,744,731
Changes of assumptions	535,054	7,359,771	7,894,825
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	619,564	1,615,399	2,234,963
School District contributions subsequent to the measurement date	<u>763,211</u>	<u>2,238,694</u>	<u>3,001,905</u>
Total Deferred Outflows of Resources	<u>\$2,363,130</u>	<u>\$12,513,294</u>	<u>\$14,876,424</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$271,211	\$271,211
Net difference between projected and actual earnings on pension plan investments	49,115	1,110,511	1,159,626
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>503,732</u>	<u>503,732</u>
Total Deferred Inflows of Resources	<u>\$49,115</u>	<u>\$1,885,454</u>	<u>\$1,934,569</u>

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

\$3,001,905 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$706,116	\$1,842,844	\$2,548,960
2020	807,069	3,353,519	4,160,588
2021	278,832	2,293,460	2,572,292
2022	<u>(241,213)</u>	<u>899,323</u>	<u>658,110</u>
Total	<u>\$1,550,804</u>	<u>\$8,389,146</u>	<u>\$9,939,950</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among disabled service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$14,359,026	\$10,347,057	\$6,986,214

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00%	

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$48,237,090	\$33,650,670	\$21,363,797

Zanesville City School District, Ohio

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For the Fiscal Year Ended June 30, 2018

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, there are two employees who have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 – Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$92,531.

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Notes to the Basic Financial Statements

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The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$120,797 for fiscal year 2018. Of this amount, \$96,576 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.16484230%	0.13635153%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.17573970%</u>	<u>0.14165593%</u>	
Change in Proportionate Share	<u>0.01089740%</u>	<u>0.00530440%</u>	
			<u>Total</u>
Proportionate Share of the Net			
OPEB Liability	\$4,716,393	\$5,526,892	\$10,243,285
OPEB Expense	\$359,135	(\$1,645,982)	(\$1,286,847)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$319,046	\$319,046
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	214,457	243,155	457,612
School District contributions subsequent to the measurement date	<u>120,797</u>	<u>0</u>	<u>120,797</u>
Total Deferred Outflows of Resources	<u>\$335,254</u>	<u>\$562,201</u>	<u>\$897,455</u>
Deferred Inflows of Resources			
Changes of assumptions	\$447,561	\$445,209	\$892,770
Net difference between projected and actual earnings on OPEB plan investments	<u>12,455</u>	<u>236,233</u>	<u>248,688</u>
Total Deferred Inflows of Resources	<u>\$460,016</u>	<u>\$681,442</u>	<u>\$1,141,458</u>

\$120,797 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$87,572)	(\$39,559)	(\$127,131)
2020	(87,572)	(39,559)	(127,131)
2021	(67,302)	(39,559)	(106,861)
2022	(3,113)	(39,560)	(42,673)
2023	0	19,499	19,499
Thereafter	<u>0</u>	<u>19,497</u>	<u>19,497</u>
Total	<u>(\$245,559)</u>	<u>(\$119,241)</u>	<u>(\$364,800)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$5,695,644	\$4,716,393	\$3,940,574

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$3,826,999	\$4,716,393	\$5,893,519

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$7,419,763	\$5,526,892	\$4,030,904
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$3,839,847	\$5,526,892	\$7,747,239

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Zanesville City School District, Ohio

Notes to the Basic Financial Statements

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Note 13 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on an eleven or twelve month basis earn five to twenty days of vacation per year, depending upon length of service. Vacation leave may be accumulated by employees up to 30 days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Nine and ten month employees, including teachers, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 292 days for certified employees and up to 292 days for classified employees, including the Superintendent and Treasurer. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 73 days. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to a maximum of 73 days. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance.

Life and Vision Insurance

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

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

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Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 14 - Long -Term Debt and Other Obligations

Detail of the changes in the long-term obligations of the School District for the fiscal year ended June 30, 2018, is as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
Governmental Activities:					
2015 School Bus Bonds:					
Serial Bonds, \$512,004 - 2.2%	\$307,681	\$0	(\$100,306)	\$207,375	\$102,543
2018 Property Acquisition & Improvement Bonds:					
Serial Bonds, \$325,000 - 3.9%	0	325,000	0	325,000	60,065
2011 School Improvement Refunding Bonds:					
Serial Bonds, \$16,680,000 - 2.0%-5.0%	13,040,000	0	(1,000,000)	12,040,000	1,420,000
Serial Bond Premium, \$806,489	460,853	0	(57,606)	403,247	0
Capital Appreciation Bonds - 2.85%	41,759	0	(41,759)	0	0
Capital Appreciation Bond Accretion	264,377	43,865	(308,242)	0	0
Capital Appreciation Bond Premium, \$249,939	80,337	0	(80,337)	0	0
Total 2011 School Improvement Refunding Bonds	13,887,326	43,865	(1,487,944)	12,443,247	1,420,000
2012 School Improvement Refunding Bonds:					
Current Interest Bonds, \$10,000,000 - 2.0%-3.5%	9,310,000	0	(280,000)	9,030,000	285,000
Current Interest Bond Premium \$123,740	82,071	0	(6,313)	75,758	0
Current Interest Bond Discount, \$145,026	(96,191)	0	7,399	(88,792)	0
Capital Appreciation Bonds - 3.49% - 3.62%	1,910,000	0	0	1,910,000	0
Capital Appreciation Bond Accretion	738,640	174,232	0	912,872	0
Capital Appreciation Bond Premium, \$939,688	604,083	0	(67,121)	536,962	0
Total 2012 School Improvement Refunding Bonds	12,548,603	174,232	(346,035)	12,376,800	285,000
Total Bonds	26,743,610	543,097	(1,934,285)	25,352,422	1,867,608
Net Pension Liability:					
STRS	45,640,967	0	(11,990,297)	33,650,670	0
SERS	11,915,056	0	(1,567,999)	10,347,057	0
Total Net Pension Liability	57,556,023	0	(13,558,296)	43,997,727	0
Net OPEB Liability:					
STRS	7,292,115	0	(1,765,223)	5,526,892	0
SERS	4,698,615	17,778	0	4,716,393	0
Total Net OPEB Liability	11,990,730	17,778	(1,765,223)	10,243,285	0
Compensated Absences	1,566,868	561,227	(207,596)	1,920,499	161,412
Total Long-Term Obligations	\$97,857,231	\$1,122,102	(\$17,465,400)	\$81,513,933	\$2,029,020

Compensated Absences will be paid from the General Fund, the Food Service Special Revenue Fund, and the Title I Special Revenue Fund.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds: General Fund and the Food Service, Miscellaneous Local Grants, Athletic and Music, Miscellaneous State Grants, Title VI-B, Title I, and Miscellaneous Federal Grants Special Revenue Funds. For additional information related to the net pension liability and net OPEB liability, see Notes 11 and 12.

On June 23, 2011, the School District issued \$16,721,759 in refunding bonds to retire \$16,722,183 of outstanding school improvement bonds. The refunded bonds were called and paid on December 1, 2012. The 2011 capital appreciation bonds matured on December 1, 2017. These bonds were issued at a premium at the time issuance. At maturity, all compounded interest was paid and the bond holder received the face value of the bond. As the value of the bond increased, the accretion was reflected as principal liability. These capital appreciation bonds were paid in full during fiscal year 2018.

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

The 2012 capital appreciation bonds mature on December 1, 2026. These bonds were issued at a premium at the time issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds, including accretion, is \$4,675,000. For fiscal year 2018, \$174,232 was accreted for a total bond liability of \$2,822,872.

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

On September 18, 2015, the School District issued School Bus Bonds for the purchase of six school buses, in the amount of \$512,004 at an interest rate of 2.2 percent. No premiums or discounts were issued with these bonds. Issuance costs associated with these bonds, in the amount of \$2,798, were invoiced by bond counsel and were not a part of the bond transcripts. These costs were paid from the General Fund and all expensed in the year of issuance.

On May 4, 2018, the School District issued Property Acquisition and Improvement Bonds for the purchase and improvements of property, in the amount of \$325,000 at an interest rate of 3.9 percent. No premiums or discounts were issued with these bonds. Issuance costs associated with these bonds, in the amount of \$2,041, were invoiced by bond counsel and were not a part of the bond transcripts. These costs were paid from the General Fund and all expensed in the year of issuance.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

A summary of the School District's future long-term debt funding requirements for the School Improvement Refunding Bonds, including principal and interest payments as of June 30, 2018, follows:

Fiscal Years	Serial/Current Interest Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$1,705,000	\$784,925	\$0	\$0	\$1,705,000	\$784,925
2020	1,795,000	725,550	0	0	1,795,000	725,550
2021	1,905,000	654,975	0	0	1,905,000	654,975
2022	2,010,000	580,638	0	0	2,010,000	580,638
2023	2,125,000	501,225	0	0	2,125,000	501,225
2024-2028	7,060,000	1,362,525	1,910,000	855,000	8,970,000	2,217,525
2029-2030	4,470,000	146,301	0	0	4,470,000	146,301
Totals	\$21,070,000	\$4,756,139	\$1,910,000	\$855,000	\$22,980,000	\$5,611,139

A summary of the School District's future long-term debt funding requirements for the School Bus Bonds, including principal and interest payments as of June 30, 2018, follows:

Fiscal Years	School Bus Bonds	
	Principal	Interest
2019	\$102,543	\$4,626
2020	104,832	2,337
Totals	\$207,375	\$6,963

A summary of the School District's future long-term debt funding requirements for the Property Acquisition and Improvement Bonds, including principal and interest payments as of June 30, 2018, follows:

Fiscal Years	Property Acquisition and Improvement Bonds	
	Principal	Interest
2019	\$60,065	\$12,851
2020	62,411	10,505
2021	64,908	8,008
2022	67,474	5,442
2023	70,142	2,774
Totals	\$325,000	\$39,580

The School District's overall legal debt margin at June 30, 2018, was \$13,181,180 with an unvoted debt margin of \$378,391.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Set-asides

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

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

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	554,899
Current Year Qualifying Disbursements	(119,863)
Current Year Offsets	(201,579)
Prior Year Offset from Bond Proceeds	(233,457)
Total	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

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

Debt proceeds may be used to reduce the capital set-aside reserve. The amount used each fiscal year is limited to the amount of revenue collected to service the debt or the set-aside balance less any offsets and qualified expenditures. The fiscal year 2002 general obligation bond proceeds, less the accumulated amount of debt proceeds used as an offset, is carried forward to future fiscal years until consumed. The amount of debt proceeds that may be used as an offset in future fiscal years is \$4,380,722.

Note 16 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2018, the School District contracted with several different insurance providers for insurance coverage, as follows:

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Insurance Provider	Coverage	Limit of Insurance	Deductible
Liberty Mutual	Building and Personal Property Blanket	\$109,482,147	\$5,000
Liberty Mutual	Commercial General Liability:		
	General Aggregate Limit	2,000,000	
	Completed Operations Aggregate Limit	2,000,000	
	Personal and Advertising Injury Limit	1,000,000	
	Each Occurrence Limit	1,000,000	
	Damage to Premises Rented Limit	300,000	
	Medical Expense Limit (Any One Person)	15,000	
Liberty Mutual	Commercial Inland Marine Coverage	1,524,578	1,000
Liberty Mutual	Commercial Auto Coverage:		
	Liability	1,000,000	
	Auto Medical Payments	1,000	
	Uninsured Motorists	75,000	
	Comprehensive	Cash Value	1,000
	Collision	Cash Value	1,000
Liberty Mutual	Commercial Crime Coverage:		
	Inside the Premises - Per occurrence	15,000	500
	Outside the Premises - Per messenger	15,000	500
	Forgery or Alteration - Per occurrence	100,000	500
	Employee Dishonesty - Per employee	100,000	500
Liberty Mutual	Commercial Umbrella Liability:		
	General Aggregate Limit	3,000,000	
	Completed Operations Aggregate Limit	3,000,000	
	Each Incident Limit	3,000,000	
Auto-Owners Insurance	Flood Insurance	500,000	1,250

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

The School District participates in the workers' compensation program provided by the State of Ohio. The School District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 18). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a premium refund or assessment. Employers will pay experience or based rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

Medical, surgical, prescription drug, and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District’s behalf. The claims liability of \$861,204 reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$10,646,863 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

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

	Balance Beginning of Fiscal Year	Current Fiscal Year Claims	Claim Payments	Balance End of Fiscal Year
2017	\$445,702	\$7,662,730	\$7,585,005	\$523,427
2018	523,427	8,336,966 (1)	7,999,189	861,204
(1) Claims Expense		\$8,333,521		
Net Increase in Stop Loss Receivable		3,445		
Current Year Claims		<u>\$8,336,966</u>		

Note 17 - Jointly Governed Organizations

Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META is also known as META Solutions. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent’s designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

During fiscal year 2018, the School District paid \$197,329 for services with META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

Mid-East Career and Technology Centers

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the participating school district's elected boards. The board possesses its own taxing authority. The board also exercised total control over the operations of Mid-East Career and Technology Centers including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2018, the School District made no contributions to the Center. Financial information may be obtained from Mid-East Career and Technology Centers at 400 Richards Road, Zanesville, Ohio 43701.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2018, the School District made a membership payment in the amount of \$325 to CORAS. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at 322 McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 18 - Insurance Purchasing Pools

Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program

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

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually.

Zanesville City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group.

The School District began participating in the program effective January 1, 2014. The School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan prior to 2014. The School District paid \$7,649 in enrollment fees to the Program as of June 30, 2018.

Ohio School Benefits Cooperative (OSBC)

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

Participants paid an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop-loss insurance coverage through OSBC's third party administrator. The School District participates in the second option. Medical Mutual/Antares is the Administrator of the OSBC. During fiscal year 2013, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, and dental coverage.

Note 19 - Significant Commitments

Encumbrances

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

Governmental Funds:	
General Fund	\$11,464
Nonmajor Governmental Funds	180,293
Total Governmental Funds	<u>\$191,757</u>

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Contractual Commitments

<u>Vendor</u>	<u>Original Contract</u>	<u>Paid to Date</u>	<u>Amount Remaining</u>
Complete Construction Services	\$362,482	\$15,209	\$347,273
Residential Repair Services LLC	151,601	34,107	117,494
Rite Rug	37,132	0	37,132
Matt Farus Painting	27,800	0	27,800
CDWG, LLC	18,343	0	18,343
Total	<u>\$597,358</u>	<u>\$49,316</u>	<u>\$548,042</u>

Note 20 - Related Party Transactions

For fiscal year 2018, the School District provided \$1,191,097 to the Zanesville Community High School, a discretely presented component unit, for administrative, fiscal, and student services. As of June 30, 2018, Zanesville Community High School has repaid all but \$181,786 of this amount. The balance remaining to be paid is reflected as Due from Component Unit by the School District and as Due to Primary Government by the component unit. In addition, Zanesville Community High School utilizes the facilities of the School District to provide instructional services.

Note 21 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

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

Zanesville City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 22 - Subsequent Event

On August 24, 2018, the School District entered into a Capital Lease agreement with De Lage Landen Public Finance LLC., in the amount of \$122,533.63, for copiers at various locations throughout the district. Terms of the lease is 60 months at an interest rate of 4.85% and includes a buyout purchase option at the end of the lease. The copiers were purchased from Professional Services Techniques / Modern Office Methods.

Note 23 - Zanesville Community High School Component Unit

Basis of Presentation

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

Capital Assets

Capital assets for Zanesville Community High School consisted of wood-working equipment for a classroom during fiscal year 2018. Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition value as of the date received. The Zanesville Community High School maintains a capitalization threshold of five thousand dollars. Capital assets are depreciated using the straight-line method. This equipment is depreciated over ten years of useful life.

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance			Balance
	June 30, 2017	Additions	Retirements	June 30, 2018
Equipment	\$12,893	\$0	\$0	\$12,893
Less Accumulated Depreciation	(2,256)	(1,289)	0	(3,545)
Capital Assets, Net	<u>\$10,637</u>	<u>(\$1,289)</u>	<u>\$0</u>	<u>\$9,348</u>

Zanesville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.17317890%	0.16279450%	0.16180200%	0.15291500%	0.15291500%
School District's Proportionate Share of the Net Pension Liability	\$10,347,057	\$11,915,056	\$9,232,579	\$7,738,941	\$9,093,364
School District's Covered Payroll	\$5,595,893	\$5,128,100	\$4,881,514	\$4,773,260	\$4,032,436
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.90%	232.35%	189.13%	162.13%	225.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Zanesville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.17573970%	0.16484230%
School District's Proportionate Share of the Net OPEB Liability	\$4,716,393	\$4,698,615
School District's Covered Payroll	\$5,595,893	\$5,128,100
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.28%	91.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Zanesville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.14165593%	0.13635153%	0.13933605%	0.13583337%	0.13583337%
School District's Proportionate Share of the Net Pension Liability	\$33,650,670	\$45,640,967	\$38,508,409	\$33,039,376	\$39,356,288
School District's Covered Payroll	\$15,702,729	\$14,669,821	\$14,165,900	\$13,832,821	\$14,157,200
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.30%	311.12%	271.84%	238.85%	277.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Zanesville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.14165593%	0.13635153%
School District's Proportionate Share of the Net OPEB Liability	\$5,526,892	\$7,292,115
School District's Covered Payroll	\$15,702,729	\$14,669,821
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.20%	49.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Zanesville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	\$763,211	\$783,425	\$717,934	\$643,384
Contributions in Relation to the Contractually Required Contribution	<u>(763,211)</u>	<u>(783,425)</u>	<u>(717,934)</u>	<u>(643,384)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$5,653,415	\$5,595,893	\$5,128,100	\$4,881,517
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$120,797	\$95,797	\$81,170	\$121,685
Contributions in Relation to the Contractually Required Contribution	<u>(120,797)</u>	<u>(95,797)</u>	<u>(81,170)</u>	<u>(121,685)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.14%</u>	<u>1.71%</u>	<u>1.58%</u>	<u>2.49%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.64%</u>	<u>15.71%</u>	<u>15.58%</u>	<u>15.67%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$661,574	\$558,089	\$561,931	\$591,616	\$644,807	\$450,282
(661,574)	(558,089)	(561,931)	(591,616)	(644,807)	(450,282)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,773,260	\$4,032,435	\$4,177,929	\$4,706,571	\$4,762,238	\$4,576,040
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$83,192	\$80,170	\$87,795	\$140,251	\$96,655	\$261,705
(83,192)	(80,170)	(87,795)	(140,251)	(96,655)	(261,705)
\$0	\$0	\$0	\$0	\$0	\$0
1.74%	1.99%	2.10%	2.98%	2.03%	5.72%
15.60%	15.83%	15.55%	15.55%	15.57%	15.56%

Zanesville City School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$2,238,694	\$2,198,382	\$2,053,775	\$1,983,226
Contributions in Relation to the Contractually Required Contribution	<u>(2,238,694)</u>	<u>(2,198,382)</u>	<u>(2,053,775)</u>	<u>(1,983,226)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$15,990,671	\$15,702,729	\$14,669,821	\$14,165,900
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$1,798,267	\$1,840,436	\$1,690,356	\$1,897,659	\$1,978,471	\$1,795,192
<u>(1,798,267)</u>	<u>(1,840,436)</u>	<u>(1,690,356)</u>	<u>(1,897,659)</u>	<u>(1,978,471)</u>	<u>(1,795,192)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,832,823	\$14,157,200	\$13,002,738	\$14,597,377	\$15,219,008	\$13,809,169
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$138,328	\$141,572	\$130,027	\$145,974	\$152,190	\$138,092
<u>(138,328)</u>	<u>(141,572)</u>	<u>(130,027)</u>	<u>(145,974)</u>	<u>(152,190)</u>	<u>(138,092)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Zanesville City School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Zanesville City School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions - STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance:			
National School Lunch Program (Food Donation)	10.555	2018	\$135,227
Cash Assistance:			
School Breakfast Program	10.553	2018	610,736
National School Lunch Program	10.555	2018	1,429,672
Cash Assistance Subtotal			<u>2,040,408</u>
Total Child Nutrition Cluster			2,175,635
Summer Food Service Program for Children	10.559	2018	<u>116,757</u>
Total U.S. Department of Agriculture			<u>2,292,392</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2017	248,709
		2018	1,767,188
Title I Program for Neglected and Delinquent Children		2017	3,010
		2018	111,102
Title I Program for School Improvement - Sub A		2017	17,667
		2018	7,623
Title I Program for School Improvement - 1003		2018	138,936
Total Title I Grants to Local Educational Agencies			<u>2,294,235</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	2017	40,582
		2018	823,935
Total Special Education - Grants to States			<u>864,517</u>
Special Education - Preschool Grants	84.173	2018	<u>44,782</u>
Total Special Education Cluster			909,299
Twenty-First Century Community Learning Centers	84.287	2017	17,236
		2018	588,759
Total Twenty-First Century Community Learning Centers			<u>605,995</u>
Rural Education	84.358	2018	18,299
Improving Teacher Quality State Grants	84.367	2017	33,032
		2018	173,118
Total Improving Teacher Quality State Grants			<u>206,150</u>
Student Support and Academic Enrichment Program	84.424	2018	<u>17,562</u>
Total U.S. Department of Education			<u>4,051,540</u>
Total Expenditures of Federal Awards			<u><u>\$6,343,932</u></u>

The accompanying notes are an integral part of this Schedule.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Zanesville City School District's (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 13, 2019, wherein we noted the School District adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 13, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Zanesville City School District's, Muskingum County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Zanesville City School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on each Major Federal Program

In our opinion, the Zanesville City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 13, 2019

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Local Educations Agencies – CFDA #84.010 • Special Education Cluster – CFDA #84.027 and #84.173 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**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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OHIO AUDITOR OF STATE KEITH FABER



ZANESVILLE CITY SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2019**