



OHIO AUDITOR OF STATE
KEITH FABER



**ZANESVILLE COMMUNITY HIGH SCHOOL
MUSKINGUM COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Zanesville Community High School
Muskingum County
956 Moxahala Avenue
Zanesville, Ohio 43701

To the Governing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Zanesville Community High School, Muskingum County, Ohio (the School), a component unit of the Zanesville City School District, Muskingum County, Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School'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'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'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 financial position of the Zanesville Community High School, Muskingum County, Ohio, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019, on our consideration of the School'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's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2019

Zanesville Community High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The discussion and analysis of the Zanesville Community High School's financial performance provides an overall review of the Zanesville Community High School's financial activities for the fiscal year ended June 30, 2018. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Zanesville Community High School's financial performance.

Highlights

The Zanesville Community High School opened for its first year of operations in fiscal year 2008 for high school age students who have dropped out or are at risk of dropping out of school. Enrollment varied during fiscal year 2018; however, at year end, the Zanesville Community High School provided services to 126 full-time students.

Key highlights for fiscal year 2018 are as follows:

- Net position was \$544,307 at June 30, 2018.
- Zanesville Community High School had operating revenues of \$1,085,470, operating expenses of \$1,191,912, and non-operating revenues of \$167,539 for fiscal year 2018. The total change in net position for the fiscal year was an increase of \$61,097.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reflect how the Zanesville Community High School did financially during fiscal year 2018. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the period revenues and expenses regardless of when cash is received or paid.

These statements report the Zanesville Community High School's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Zanesville Community High School has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

All of the Zanesville Community High School's activities are reported in a single enterprise fund.

Zanesville Community High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 1 provides a summary of the Zanesville Community High School's net position for fiscal year 2018 compared to fiscal year 2017:

Table 1
Net Position

	2018	2017	Change
<u>Assets:</u>			
Current Assets	\$731,288	\$619,470	\$111,818
Capital Assets	9,348	10,637	(1,289)
Total Assets	<u>740,636</u>	<u>630,107</u>	<u>110,529</u>
<u>Liabilities:</u>			
Current Liabilities	<u>196,329</u>	<u>146,897</u>	<u>49,432</u>
<u>Net Position:</u>			
Investment in Capital Assets	9,348	10,637	(1,289)
Unrestricted	<u>534,959</u>	<u>472,573</u>	<u>62,386</u>
Total Net Position	<u><u>\$544,307</u></u>	<u><u>\$483,210</u></u>	<u><u>\$61,097</u></u>

The Zanesville Community High School had net position of \$544,307 at fiscal year end, an increase of \$61,097 from fiscal year 2017. Total assets increased \$110,529. This increase is the result of an increase in cash and cash equivalents of \$75,796, an increase in intergovernmental receivables of \$25,167, and an increase in prepaid items of \$10,855. These increases were offset by a decrease in capital assets of \$1,289 which resulted from depreciation for fiscal year 2018.

Total liabilities increased \$49,432 during fiscal year 2018. This increase is due to an increase of \$37,376 in due to primary government and an increase of \$13,689 in accounts payable. These increases were offset by a decrease of \$1,633 in intergovernmental payable.

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Zanesville Community High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Table 2
Change in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<u>Operating Revenues:</u>			
Foundation	\$1,082,472	\$1,148,894	(\$66,422)
Contributions and Donations	2,263	185	2,078
Charges for Services	735	251	484
Total Operating Revenues	<u>1,085,470</u>	<u>1,149,330</u>	<u>(63,860)</u>
<u>Non-Operating Revenues:</u>			
Operating Grants	167,539	123,938	43,601
Other Non-Operating Revenue	0	100	(100)
Total Non-Operating Revenues	<u>167,539</u>	<u>124,038</u>	<u>43,501</u>
Total Revenues	<u>1,253,009</u>	<u>1,273,368</u>	<u>(20,359)</u>
<u>Operating Expenses:</u>			
Purchased Services	1,142,278	983,557	158,721
Materials and Supplies	48,345	68,034	(19,689)
Depreciation	1,289	1,289	0
Total Operating Expenses	<u>1,191,912</u>	<u>1,052,880</u>	<u>139,032</u>
Change in Net Position	61,097	220,488	(159,391)
Net Position Beginning of Year	<u>483,210</u>	<u>262,722</u>	<u>220,488</u>
Net Position End of Year	<u><u>\$544,307</u></u>	<u><u>\$483,210</u></u>	<u><u>\$61,097</u></u>

During fiscal year 2018, total revenues decreased \$20,359. Foundation revenue reflects a decrease in the amount of \$66,422, which is offset by an increase in operating grants in the amount of \$43,601. The decrease in foundation revenue is a result of changes in the calculation of the funding components for the special education categories by the Ohio Department of Education (ODE). The increase in operating grants is the result of an increase in the Zanesville Community High School's approved Title I funding, Title II-A funding, and Title VI-B funding, based upon the application to the ODE Comprehensive Continuous Improvement Plan (CCIP).

During fiscal year 2018, operating expenses increased \$139,032. This increase is due to a net effect between an increase in purchased services of \$158,721 and a decrease in materials and supplies of \$19,689. The increase in purchased services is due to timing of payments to the sponsor in fiscal year 2017 and fiscal year 2018. The decrease in materials and supplies is due to additional material and supplies being purchased for various classroom materials in fiscal year 2017.

Zanesville Community High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Budgeting

The Zanesville Community High School is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets and Debt Administration

Capital Assets

Accumulated depreciation at June 30, 2018, amounted to \$3,545; therefore, the capital assets, net of accumulated depreciation, were \$9,348. See Note 5 for more information.

Debt

The Zanesville Community High School had no outstanding debt during fiscal year 2018.

Current Design

The Zanesville Community High School is different than a traditional high school in that the Zanesville Community High School is designed to be an open, non-discriminatory atmosphere where students can work at their own pace to earn a high school diploma. Zanesville Community High School operates by joining forces with the area social agencies in an effort to increase a student's developmental assets and eliminate the barriers to academic achievement.

Contacting the Zanesville Community High School's Financial Management

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

Zanesville Community High School

Statement of Net Position

June 30, 2018

Assets:

Current Assets:

Cash and Cash Equivalents	\$668,099
Intergovernmental Receivable	47,554
Prepaid Items	15,635
Total Current Assets	<u>731,288</u>

Noncurrent Assets:

Depreciable Capital Assets, Net	<u>9,348</u>
Total Assets	<u>740,636</u>

Liabilities:

Current Liabilities:

Accounts Payable	14,229
Due to Primary Government	181,786
Intergovernmental Payable	314
Total Liabilities	<u>196,329</u>

Net Position:

Invested in Capital Assets, Net of Related Debt	9,348
Unrestricted	534,959
Total Net Position	<u>\$544,307</u>

See accompanying notes to the basic financial statements.

Zanesville Community High School
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

<u>Operating Revenues:</u>	
Foundation	\$1,082,472
Charges for Services	735
Contributions and Donations	<u>2,263</u>
Total Operating Revenues	<u>1,085,470</u>
 <u>Operating Expenses:</u>	
Purchased Services	1,142,278
Materials and Supplies	48,345
Depreciation	<u>1,289</u>
Total Operating Expenses	<u>1,191,912</u>
 Operating Loss	 <u>(106,442)</u>
 <u>Non-Operating Revenues:</u>	
Operating Grants	 <u>167,539</u>
 Change in Net Position	 61,097
 Net Position Beginning of Year	 <u>483,210</u>
Net Position End of Year	<u><u>\$544,307</u></u>

See accompanying notes to the basic financial statements.

Zanesville Community High School

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$1,081,415
Cash Received from Customer Services	735
Cash Received from Contributions and Donations	2,263
Cash Payments to Suppliers for Goods and Services	<u>(1,152,046)</u>

Net Cash Used for Operating Activities (67,633)

Cash Flows from Noncapital Financing Activities:

Operating Grants Received 143,429

Net Increase in Cash and Cash Equivalents 75,796

Cash and Cash Equivalents Beginning of Year 592,303

Cash and Cash Equivalents End of Year \$668,099

Reconciliation of Operating Loss to

Net Cash Used for Operating Activities:

Operating Loss (\$106,442)

Adjustments to Reconcile Operating Loss to

Net Cash Used for Operating Activities:

Depreciation 1,289

Changes in Assets and Liabilities:

(Increase) Decrease in Assets:

Intergovernmental Receivable (1,057)

Prepaid Items (10,855)

Increase (Decrease) in Liabilities:

Due to Primary Government 37,376

Accounts Payable 13,689

Intergovernmental Payable (1,633)

Net Cash Used for Operating Activities (\$67,633)

See accompanying notes to the basic financial statements.

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Zanesville Community High School

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

Note 1 – Description of the School

The Zanesville Community High School is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Zanesville Community High School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Zanesville Community High School's tax exempt status. The Zanesville Community High School's mission is to help at-risk students meet Ohio's graduation requirements. The Zanesville Community High School focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Zanesville Community High School serves high school age students who have dropped out or are at risk of dropping out of school. A particular emphasis is placed on assisting parents and/or pregnant students obtain a high school diploma.

The Zanesville Community High School was created on April 16, 2007, by entering a five year contract with the Zanesville City School District (the Sponsor). The Zanesville Community High School entered into a new five year contract with the Sponsor on June 21, 2017. This contract was amended in February 2018 and again in April 2018. This contract will expire June 30, 2022. The Sponsor is responsible for evaluating the performance of the Zanesville Community High School and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of Zanesville Community High School with the Treasurer of the Sponsor completing the role of Treasurer for Zanesville Community High School.

The Zanesville Community High School operates under the direction of a six-member Governing Authority, made up of five voting community members. Members shall be nominated by the Governing Authority and submitted to the Sponsor's non-voting six-member Board of Directors for final approval. All governing authority members live and/or work in the Zanesville-Muskingum County community as well as to represent the interests of the Muskingum County community. The Governing Authority approves Zanesville Community High School's staff of ten classified employees and seven certificated full time teaching personnel who provide services to 126 students.

Zanesville Community High School is a component unit of the Sponsor. The sponsor is able to impose its will on Zanesville Community High School and, due to their relationship with the Sponsor, it would be misleading to exclude them. 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 Governing Authority is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Zanesville Community High School and the students it serves. The Zanesville Community High School uses the facilities of the Sponsor.

Zanesville Community High School

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

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Zanesville Community High School 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 Zanesville Community High School's accounting policies are described below.

A. Basis of Presentation

The Zanesville Community High School's basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

The Zanesville Community High School uses a single enterprise fund to present its financial records for the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus

The enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Zanesville Community High School are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Zanesville Community High School finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Zanesville Community High School's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from nonexchange transactions, in which the Zanesville Community High School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted; matching requirements, in which the Zanesville Community High School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Zanesville Community High School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by Zanesville Community High School's contract with its Sponsor. The contract between Zanesville Community High School and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

Zanesville Community High School

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

E. Cash and Cash Equivalents

Cash received by Zanesville Community High School is reflected as “Cash and Cash Equivalents” on the statement of net position. Investments with original maturities of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2018, the Zanesville Community High School had no investments.

F. 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.

G. 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.

H. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Zanesville Community High School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Zanesville Community High School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of Zanesville Community High School.

Operating expenses are necessary costs incurred to provide the service that is the primary activity of Zanesville Community High School. All revenues and expenses not meeting this definition are reported as non-operating.

J. Estimates

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

Zanesville Community High School

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

Note 3 – Changes in Accounting Principle

For fiscal year 2018, the Zanesville Community High School 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.

Note 4 – Deposits

Protection of the Zanesville Community High School’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.

Custodial credit risk is the risk that, in the event of a bank failure, the Zanesville Community High School’s deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2018, the bank balance of the School’s deposits was \$670,415. Of this bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was covered by OPCS. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

The Zanesville Community High School had no investments during fiscal year 2018.

Note 5 – Capital Assets

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 Community High School

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

Note 6 – Receivables

Receivables at June 30, 2018, consisted of intergovernmental grants and State Foundation adjustments. All receivables are considered collectible in full, due to the stable condition of State programs and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I	\$9,425
Title II-A	16,906
Title IV-A	10,000
Title VI-B	7,612
State Foundation Adjustments	<u>3,611</u>
Total	<u><u>\$47,554</u></u>

Note 7 – Risk Management

Zanesville Community High School is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2018, Zanesville Community High School had liability insurance through the Zanesville City School District's policy.

Note 8 – Purchased Services

For the period July 1, 2017, through June 30, 2018, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$1,135,778
Audit Services	<u>6,500</u>
Total	<u><u>\$1,142,278</u></u>

Zanesville Community High School

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

Note 9 – Related Party Transactions

Zanesville City School District, the Sponsor, approves each of Zanesville Community High School’s six board members from the general public. Zanesville Community High School is presented as a component unit of the Sponsor. For fiscal year 2018, \$1,191,097 was provided by the Sponsor for administrative, fiscal, and student services provided to Zanesville Community High School. Zanesville Community High School paid all but \$181,786 of this amount as of June 30, 2018. This amount is reflected as a Due to Primary Government in the financial statements.

	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Support Services (2000 Function Codes)	Instructiona 1 (3000 through 7000 Function Codes)	Total
<i>Direct expenses:</i>					
Professional and technical services (410 object codes)	\$342,236	\$183,404	\$428,250	\$36,332	\$990,222
Supplies (500 object codes)	0	0	0	19,089	19,089
Total expenses	<u>\$342,236</u>	<u>\$183,404</u>	<u>\$428,250</u>	<u>\$55,421</u>	<u>\$1,009,311</u>

Expenses are presented on a cash basis.

Note 10 – Contingencies

A. Grants

The Zanesville Community High School 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 Zanesville Community High School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Zanesville Community High School at June 30, 2018.

B. Ohio Department of Education Enrollment Review

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. 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.

Zanesville Community High School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Under Ohio Rev. Code § 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2018.

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.

In addition, the School's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

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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 Community High School
Muskingum County
956 Moxahala Avenue
Zanesville, Ohio 43701

To the Governing Authority:

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 Zanesville Community High School, Muskingum County, Ohio (the School), a component unit of the Zanesville City School District, Muskingum County, Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School'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'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'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'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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2019

OHIO AUDITOR OF STATE KEITH FABER



ZANESVILLE COMMUNITY HIGH SCHOOL

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 5, 2019**