



Mary Taylor, CPA
Auditor of State

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Zanesville City School District, Muskingum County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School District is experiencing certain financial difficulties. These conditions, and management's plan to address these conditions, are described in Note 21.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

May 3, 2007

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

As management of the Zanesville City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- Net assets of governmental activities increased \$206,424.
- General revenues accounted for \$33,004,120 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$10,885,536 or 25 percent of total revenues of \$43,889,656.
- Total assets of governmental activities decreased \$2,947,347 or 5.1 percent. The decrease is primarily due to the payment of contracts payable that existed in the previous year relating to construction in progress funded by the Ohio School Facilities Expedited Local Partnership Program.
- The School District had \$43,683,232 in expenses relating to governmental activities; only \$10,885,536 of these expenses was offset by program specific charges for services, grants, contributions, and interest.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 1 - Net Assets

	Governmental Activities		
	2006	2005	Change
Assets			
Current and Other Assets	\$21,079,822	\$23,137,307	(\$2,057,485)
Capital Assets	33,511,064	34,400,926	(889,862)
Total Assets	54,590,886	57,538,233	(2,947,347)
Liabilities			
Long-Term Liabilities	36,358,716	38,037,677	(1,678,961)
Other Liabilities	16,301,466	17,776,276	(1,474,810)
Total Liabilities	52,660,182	55,813,953	(3,153,771)
Net Assets			
Invested in Capital Assets, Net of Debt	4,237,059	6,849,784	(2,612,725)
Restricted	3,029,960	1,874,698	1,155,262
Unrestricted (Deficit)	(5,336,315)	(7,000,202)	1,663,887
Total Net Assets	\$1,930,704	\$1,724,280	\$206,424

Total assets decreased \$2,947,347. The majority of the decrease in current and other assets was due mainly to a decrease in cash and cash equivalents of \$1,210,931, a decrease in investments of \$2,000,000, an increase in intergovernmental receivables of \$663,413 and an increase in property taxes receivable of \$1,084,921. The decrease in cash and cash equivalents was due mainly to the School District paying contractors for the completion of Phase 1 of School District's Ohio School Facilities Expedited Local Partnership Program. These projects were completed during fiscal year 2006. The decrease in investments was also a result of the completion of Phase 1 of the School District's Ohio School Facilities Expedited Local Partnership Program. The increase in property taxes receivable is due to the amounts that were certified by the County Auditor. Capital assets decreases by \$889,862 due mainly to the depreciation of the previously mentioned school facilities project.

Total liabilities decreased by \$3,153,771. The majority of the decrease is in long-term liabilities due to a change in accounting estimate pertaining to the estimated years in calculating the compensated absences liability. This change resulted in a decrease of \$1,402,896 in the due in more than one year amount recorded in long-term liabilities. Other liabilities decreased due to a decrease of \$1,465,739 in contracts payable, a decrease in accrued wages of \$346,736 and a decrease in retainage payable of \$385,076, which were offset by an increase in deferred revenue of \$675,442. The increase in deferred revenue was due mainly to the increase in taxes receivable. The decreases in contracts and retainage payable were a result of the completion of Phase 1 of the School District's Ohio School Facilities Expedited Local Partnership Program. The decrease in accrued wages was a direct result of the School District eliminating 17 certified positions in order to reduce expenses.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, and comparisons to fiscal year 2005.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Revenues	Governmental Activities		
	2006	2005	Change
Program Revenues			
Charges for Services	\$1,875,413	\$2,663,497	(\$788,084)
Operating Grants, Contributions, and Interest	8,900,251	8,136,462	763,789
Capital Grants and Contributions	109,872	84,721	25,151
Total Program Revenues	<u>10,885,536</u>	<u>10,884,680</u>	<u>856</u>
General Revenue			
Property Taxes	12,350,211	11,993,887	356,324
Grants and Entitlements	20,020,748	18,781,822	1,238,926
Payment in Lieu of Taxes	342,378	168,625	173,753
Investment Earnings	232,993	489,067	(256,074)
Miscellaneous	57,790	123,294	(65,504)
Special Item - Assets Transferred from Dissolved Component Unit	<u>0</u>	<u>78,321</u>	<u>(78,321)</u>
Total General Revenues	<u>33,004,120</u>	<u>31,635,016</u>	<u>1,369,104</u>
Total Revenues	<u>43,889,656</u>	<u>42,519,696</u>	<u>1,369,960</u>
Program Expenses			
Instruction	24,845,145	25,113,995	(268,850)
Support Services			
Pupil	2,009,692	1,780,236	229,456
Instructional Staff	3,195,167	3,093,248	101,919
Board of Education	288,736	192,538	96,198
Administration	2,984,810	2,975,926	8,884
Fiscal	669,030	678,522	(9,492)
Operation and Maintenance of Plant	3,230,639	3,745,348	(514,709)
Pupil Transportation	1,222,990	1,201,176	21,814
Central	486,993	702,106	(215,113)
Operation of Non-Instructional Services:			
Food Service Operations	2,276,595	2,056,037	220,558
Other	398,905	687,519	(288,614)
Extracurricular Activities	495,189	556,832	(61,643)
Interest and Fiscal Charges	<u>1,579,341</u>	<u>1,597,442</u>	<u>(18,101)</u>
Total Program Expenses	<u>43,683,232</u>	<u>44,380,925</u>	<u>(697,693)</u>
<i>Change in Net Assets</i>	206,424	(1,861,229)	2,067,653
Net Assets Beginning of Year (Restated)	<u>1,724,280</u>	<u>3,585,509</u>	<u>(1,861,229)</u>
Net Assets End of Year	<u>\$1,930,704</u>	<u>\$1,724,280</u>	<u>\$206,424</u>

The School District's net assets increased \$206,424. The majority of this increase was due to an increase in property tax revenue and operating grants, contributions, and interest during fiscal year 2006. During fiscal year 2006, property tax revenue increased due to an increase in assessed values from new construction. The operating grants, contributions, and interest increased as a result of a \$625,625 increase in the balance of outstanding grants.

Zanesville City School District, Ohio
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The decrease in charges for services is primarily due to the School District receiving \$480,000 in excess costs during fiscal year 2005 and only \$6,777 was received in fiscal year 2006. In addition, the School District also had a decrease in the number of open enrollment students during fiscal year 2006. There were 132 open enrollment students in fiscal year 2005 compared to only 107 students in fiscal year 2006, resulting in a decrease of \$120,129.

The increase in grants and entitlements is a direct result of a \$558,841 increase in the School District's formula aid, a \$329,840 increase in the amount of poverty based aid and an increase of \$262,644 in the amount of parity aid received by the School District from State Foundation.

The decrease of \$256,074 in investment earnings is due to the decrease in the amount of investments held at June 30, 2006 compared to June 30, 2005. This decrease is a result of the School District paying contractors after completing Phase 1 of the Ohio School Facilities Expedited Local Partnership Program.

Instruction expense decreased \$268,850. This decrease is partially due to the School District eliminating 17 certified positions during fiscal year 2006 in order to reduce expenditures.

The decrease of the operation and maintenance of plant and food service operation expenses is due to the School District combining buildings. Upon the completion of the new National Road Elementary, three existing elementary schools were combined into this new Elementary. In addition, there were two additional elementary schools combined with the Roosevelt Middle School. This consolidation of buildings resulted in the reduction of costs associated with the operation and maintenance and food service operations.

The other expenses decrease is primarily due to the elimination of the Public Relations position that resulted in the School District's overall cost savings of \$100,000. Total program expenses decreased \$697,693 due to the overall budget cuts made by the School District.

Instruction comprises approximately 57 percent of governmental program expenses, support services make up approximately 32 percent of the program expenses, operation of non-instructional services make up approximately 6 percent of program expenses, and the remaining 5 percent of program expenses is related to extracurricular activities, and interest expenses of the School District.

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

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 3 - Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
Program Expenses				
Instruction	\$24,845,145	\$19,259,382	\$25,113,995	\$18,775,060
Support Services:				
Pupil	2,009,692	1,584,008	1,780,236	1,568,844
Instructional Staff	3,195,167	1,316,490	3,093,248	1,605,392
Board of Education	288,736	288,736	192,538	192,538
Administration	2,984,810	2,765,134	2,975,926	2,781,184
Fiscal	669,030	653,921	678,522	678,522
Operation and Maintenance of Plant	3,230,639	3,159,872	3,745,348	3,666,867
Pupil Transportation	1,222,990	1,062,571	1,201,176	1,112,551
Central	486,993	424,994	702,106	652,763
Operation of Non-Instructional Services:				
Food Service Operations	2,276,595	450,828	2,056,037	242,018
Other	398,905	(123,078)	687,519	238,467
Extracurricular Activities	495,189	375,497	556,832	384,592
Interest and Fiscal Charges	1,579,341	1,579,341	1,597,442	1,597,447
Totals	<u>\$43,683,232</u>	<u>\$32,797,696</u>	<u>\$44,380,925</u>	<u>\$33,496,245</u>

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2006, only 25 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 75 percent is provided through taxes and entitlements.

The School District's Major Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$43,044,463 and expenditures of \$44,693,235.

General Fund

The deficit fund balance of the General Fund at June 30, 2006 is (\$3,685,629), and reflects a decrease of \$202,401. The majority of this deficit increase is due to an increase in instruction expenditures during fiscal year 2006. During fiscal year 2006, the School District eliminated 17 certified positions as a result of a performance audit completed by the Auditor of State's Office of Ohio during fiscal year 2005. The School District also renegotiated their Health Insurance contract to cut costs due to this performance audit.

Bond Retirement Fund

The fund balance of the Bond Retirement Debt Service Fund at June 30, 2006 is \$1,978,245, an increase of \$209,472 from the prior year primarily due to an increase in property tax revenue.

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Building Fund

The fund balance of the Building Capital Projects Fund at June 30, 2006 is \$3,896,904, a decrease of \$2,166,678 from the prior year primarily due to the completion of Phase 1 of the Ohio School Facilities Expedited Local Partnership Program. The remaining fund balance will be spent on Phase II of the Ohio School Facilities Expedited Local Partnership Program along with state monies that will be drawn down by the School District.

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 2006, the School District amended its General Fund budget. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The General Fund had original revenue budget estimates of \$31,146,252. The original budget estimates were decreased to a final budget amount of \$30,192,491 for the fiscal year. Actual revenues were \$134,897 above final budgeted estimates.

The School District's ending unobligated General Fund budgetary balance was \$260,917 below their final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$33,511,064 invested in land, buildings, building improvements, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2006 balances compared to 2005.

Table 4 - Capital Assets at June 30, 2006
(Net of Depreciation)

	<u>Government Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$1,004,179	\$1,017,064
Construction in Progress	0	28,272,219
Buildings and Building Improvements	31,496,931	4,294,661
Improvements Other Than Buildings	293,529	234,085
Furniture, Fixtures, Equipment and Vehicles	716,425	582,897
Totals	<u>\$33,511,064</u>	<u>\$34,400,926</u>

During fiscal year 2006, the School District completed Phase 1 of the Ohio School Facilities Expedited Local Partnership Program. See Note 11 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, 2006
Unaudited

Debt

At June 30, 2006, the School District had \$33,754,858 in bonds, accretion, and an unamortized premium and discount outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities 2006	Governmental Activities 2005
2001 School Facilities		
Serial Bonds - 2.25-5.38%	\$7,325,000	\$7,820,000
Term Bonds - 4.75-5.38%	25,900,000	25,900,000
2001 School Facilities Capital Appreciation Bonds		
Original Issue	239,576	239,576
Accretion	96,945	67,279
2001 School Facilities Serial/ Term Bonds Discount	(36,110)	(37,649)
2001 School Facilities Serial/ Term Bonds Premium	229,447	260,158
Totals	\$33,754,858	\$34,249,364

See Note 15 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 2006, the School District received approximately 46 percent of its revenues from the state foundation program/grants and 29 percent from local property taxes.

In May of 2002, the School District passed a \$35,413,672 bond issue for school facility construction and improvements. It was part of the Expedited Local Partnership Plan with the Ohio School Facilities Commission. Phase 1 construction, which began in 2004, consisted of the construction of two junior high schools and one elementary school and was completed in the fall of 2005. Phase 2 construction, which will begin as a result of the passage of the required maintenance levy, consists of the construction of one senior high school and three elementary schools at a cost of \$62,504,054.

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

Zanesville City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Contacting the School District's Financial Management

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

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Zanesville City School District, Ohio

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,157,890
Accounts Receivable	19,788
Intergovernmental Receivable	1,498,876
Inventory Held for Resale	26,963
Materials and Supplies Inventory	4,639
Prepaid Items	12,502
Revenue in Lieu of Taxes Receivable	196,704
Property Taxes Receivable	12,904,903
Deferred Charges	257,557
Nondepreciable Capital Assets	1,004,179
Depreciable Capital Assets, Net	<u>32,506,885</u>
<i>Total Assets</i>	<u>54,590,886</u>
Liabilities	
Matured Compensated Absences Payable	95,920
Accounts Payable	257,405
Accrued Wages and Benefits Payable	5,107,425
Retainage Payable	28,138
Contracts Payable	23,753
Vacation Benefits Payable	168,281
Accrued Interest Payable	124,294
Intergovernmental Payable	1,453,275
Retirement Incentive Payable	12,000
Deferred Revenue	9,030,975
Long-Term Liabilities:	
Due Within One Year	750,252
Due In More Than One Year	<u>35,608,464</u>
<i>Total Liabilities</i>	<u>52,660,182</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,237,059
Restricted for:	
Miscellaneous Local Grants	94,481
Athletics and Music	80,074
Unclaimed Monies	6,011
Bus Purchase	53,637
Capital Projects	323,509
Debt Service	1,844,226
Other Purposes	628,022
Unrestricted (Deficit)	<u>(5,336,315)</u>
<i>Total Net Assets</i>	<u><u>\$1,930,704</u></u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities					Governmental Activities
Instruction:					
Regular	\$16,859,989	\$768,397	\$462,103	\$44,544	(\$15,584,945)
Special	7,661,942	340,323	3,909,549	0	(3,412,070)
Vocational	265,896	0	60,847	0	(205,049)
Intervention	57,318	0	0	0	(57,318)
Support Services:					
Pupil	2,009,692	70	425,614	0	(1,584,008)
Instructional Staff	3,195,167	2,660	1,876,017	0	(1,316,490)
Board of Education	288,736	0	0	0	(288,736)
Administration	2,984,810	0	219,676	0	(2,765,134)
Fiscal	669,030	15,109	0	0	(653,921)
Operation and Maintenance of Plant	3,230,639	0	17,816	52,951	(3,159,872)
Pupil Transportation	1,222,990	51,534	96,508	12,377	(1,062,571)
Central	486,993	0	61,999	0	(424,994)
Operation of Non-Instructional Services					
Food Service Operations	2,276,595	508,040	1,317,727	0	(450,828)
Other	398,905	78,042	443,941	0	123,078
Extracurricular Activities	495,189	111,238	8,454	0	(375,497)
Interest and Fiscal Charges	1,579,341	0	0	0	(1,579,341)
Totals	\$43,683,232	\$1,875,413	\$8,900,251	\$109,872	(32,797,696)

General Revenues

Property Taxes Levied for:	
General Purposes	10,305,801
Debt Service	2,044,410
Payment in Lieu of Taxes for:	
General Purposes	314,764
Debt Service	27,614
Grants and Entitlements not Restricted to Specific Programs	
	20,020,748
Investment Earnings	232,993
Miscellaneous	57,790
Total General Revenues	33,004,120
Change in Net Assets	206,424
Net Assets Beginning of Year - Restated (See Note 3)	1,724,280
Net Assets End of Year	\$1,930,704

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2006

	General	Bond Retirement	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,232,799	\$3,415,514	\$1,509,577	\$6,157,890
Accounts Receivable	14,070	0	0	5,718	19,788
Intergovernmental Receivable	136,109	0	0	1,362,767	1,498,876
Inventory Held for Resale	0	0	0	26,963	26,963
Materials and Supplies Inventory	0	0	0	4,639	4,639
Interfund Receivable	14,376	0	519,657	7,435	541,468
Prepaid Items	10,822	0	0	1,680	12,502
Revenue in Lieu of Taxes Receivable	182,897	13,807	0	0	196,704
Property Taxes Receivable	10,713,946	2,190,957	0	0	12,904,903
<i>Total Assets</i>	<u>\$11,072,220</u>	<u>\$3,437,563</u>	<u>\$3,935,171</u>	<u>\$2,918,779</u>	<u>\$21,363,733</u>
Liabilities					
Matured Compensated Absences Payable	\$73,658	\$0	\$0	\$22,262	\$95,920
Accounts Payable	189,200	0	2,976	65,229	257,405
Accrued Wages and Benefits Payable	3,915,265	0	0	1,192,160	5,107,425
Retainage Payable	0	0	28,138	0	28,138
Contracts Payable	0	0	7,153	16,600	23,753
Interfund Payable	514,514	0	0	26,954	541,468
Intergovernmental Payable	1,075,807	0	0	377,468	1,453,275
Deferred Revenue	8,989,405	1,459,318	0	1,158,457	11,607,180
<i>Total Liabilities</i>	<u>14,757,849</u>	<u>1,459,318</u>	<u>38,267</u>	<u>2,859,130</u>	<u>19,114,564</u>
Fund Balances					
Reserved for Encumbrances	8,299	0	30,750	117,654	156,703
Reserved for Unclaimed Monies	6,011	0	0	0	6,011
Reserved for Bus Purchase	53,637	0	0	0	53,637
Reserved for Property Taxes	1,838,286	731,639	0	0	2,569,925
Unreserved:					
Undesignated, Reported in:					
General Fund (Deficit)	(5,591,862)	0	0	0	(5,591,862)
Special Revenue Funds (Deficit)	0	0	0	(381,514)	(381,514)
Debt Service Fund	0	1,246,606	0	0	1,246,606
Capital Projects Funds	0	0	3,866,154	323,509	4,189,663
<i>Total Fund Balances (Deficit)</i>	<u>(3,685,629)</u>	<u>1,978,245</u>	<u>3,896,904</u>	<u>59,649</u>	<u>2,249,169</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,072,220</u>	<u>\$3,437,563</u>	<u>\$3,935,171</u>	<u>\$2,918,779</u>	<u>\$21,363,733</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
*Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2006*

Total Governmental Fund Balances \$2,249,169

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 33,511,064

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

Property Taxes Receivable	1,304,003	
Accounts Receivable	5,219	
Due from Other Funds	4,089	
Intergovernmental Receivable	1,155,682	
Tuition and Fees	107,212	2,576,205

Vacation Benefits Payable is recognized for earned vacation benefits that are not due and payable and therefore are not reported in the funds. (168,281)

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements. 257,557

Accrued Interest Payable is recognized for outstanding long-term liabilities reported in the funds when due. (124,294)

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

Bonds Payable	(33,464,576)	
Bond Premium	(229,447)	
Bond Discount	36,110	
Accretion	(96,945)	
Retirement Incentive Payable	(12,000)	
Compensated Absences	(2,603,858)	(36,370,716)

Net Assets of Governmental Activities **\$1,930,704**

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, 2006

	General	Bond Retirement	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$10,217,500	\$2,023,946	\$0	\$0	\$12,241,446
Payment in Lieu of Taxes	314,764	27,614	0	0	342,378
Intergovernmental	18,935,078	272,473	0	9,068,481	28,276,032
Interest	235,935	0	0	3,642	239,577
Tuition and Fees	857,339	0	0	164,928	1,022,267
Extracurricular Activities	0	0	0	237,894	237,894
Charges for Services	0	0	0	503,951	503,951
Contributions and Donations	2,902	0	0	128,423	131,325
Miscellaneous	37,634	0	0	11,959	49,593
<i>Total Revenues</i>	<u>30,601,152</u>	<u>2,324,033</u>	<u>0</u>	<u>10,119,278</u>	<u>43,044,463</u>
Expenditures					
Current:					
Instruction:					
Regular	13,577,753	0	0	2,592,821	16,170,574
Special	5,542,700	0	0	1,938,608	7,481,308
Vocational	282,188	0	0	0	282,188
Intervention	13,600	0	0	43,718	57,318
Support Services:					
Pupils	1,553,654	0	0	363,228	1,916,882
Instructional Staff	955,883	0	0	2,097,332	3,053,215
Board of Education	288,736	0	0	0	288,736
Administration	2,709,731	0	0	194,010	2,903,741
Fiscal	634,103	44,338	0	0	678,441
Operation and Maintenance of Plant	3,220,096	0	0	24,705	3,244,801
Pupil Transportation	962,381	0	0	173,227	1,135,608
Central	457,049	0	0	60,212	517,261
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,855,556	1,855,556
Other Non-Instructional Services	31,531	0	0	383,481	415,012
Extracurricular Activities	323,936	0	0	98,025	421,961
Capital Outlay	0	0	2,166,678	33,732	2,200,410
Debt Service:					
Principal Retirement	0	495,000	0	0	495,000
Interest and Fiscal Charges	0	1,575,223	0	0	1,575,223
<i>Total Expenditures</i>	<u>30,553,341</u>	<u>2,114,561</u>	<u>2,166,678</u>	<u>9,858,655</u>	<u>44,693,235</u>
<i>Excess of Revenues Over (Under) Expenditures:</i>	<u>47,811</u>	<u>209,472</u>	<u>(2,166,678)</u>	<u>260,623</u>	<u>(1,648,772)</u>
Other Financing Sources (Use)					
Proceeds from Sale of Capital Assets	0	0	0	187,020	187,020
Transfers In	0	0	0	250,212	250,212
Transfers Out	(250,212)	0	0	0	(250,212)
<i>Total Other Financing Sources (Use)</i>	<u>(250,212)</u>	<u>0</u>	<u>0</u>	<u>437,232</u>	<u>187,020</u>
<i>Net Change in Fund Balances</i>	(202,401)	209,472	(2,166,678)	697,855	(1,461,752)
Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)	<u>(3,483,228)</u>	<u>1,768,773</u>	<u>6,063,582</u>	<u>(638,206)</u>	<u>3,710,921</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$3,685,629)</u></u>	<u><u>\$1,978,245</u></u>	<u><u>\$3,896,904</u></u>	<u><u>\$59,649</u></u>	<u><u>\$2,249,169</u></u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds (\$1,461,752)

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

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

Capital Asset Additions	934,301	
Depreciation Expense	(1,148,498)	(214,197)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds from the sale of capital assets and the loss on disposal of capital assets.

Proceeds from the Sale of Capital Assets	(187,020)	
Loss on Disposal of Capital Assets	(488,645)	(675,665)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Interest	(2,942)	
Accounts Receivable	8,197	
Due from Other Funds	4,089	
Student Fees	107,212	
Intergovernmental	619,872	
Delinquent Taxes	108,765	845,193

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 495,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 7,349

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	13,508	
Retirement Incentive Payable	24,000	
Compensated Absences Payable	1,184,455	1,221,963

The amortization of premiums, discounts, and issuance costs are reported on the statement of activities:

Premium Amortization	30,711	
Discount Amortization	(1,539)	
Issuance Costs Amortization	(10,973)	18,199

Accretion on capital appreciation bonds is an expenditure in the governmental funds but is allocated as an expense over the life of the bonds. (29,666)

Change in Net Assets of Governmental Activities \$206,424

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$10,554,906	\$9,987,879	\$10,126,967	\$139,088
Payment in Lieu of Taxes	0	0	131,867	131,867
Intergovernmental	18,854,053	18,839,767	18,919,159	79,392
Interest	270,066	270,066	237,687	(32,379)
Tuition and Fees	1,289,561	1,050,010	857,566	(192,444)
Extracurricular Activities	0	550	0	(550)
Contributions and Donations	427	427	2,902	2,475
Miscellaneous	177,239	43,792	51,240	7,448
<i>Total Revenues</i>	<u>31,146,252</u>	<u>30,192,491</u>	<u>30,327,388</u>	<u>134,897</u>
Expenditures				
Current:				
Instruction:				
Regular	14,275,950	12,982,801	13,555,468	(572,667)
Special	5,657,059	5,658,514	5,408,009	250,505
Vocational	379,637	379,997	310,333	69,664
Intervention	0	0	7,251	(7,251)
Support Services:				
Pupils	1,417,770	1,417,770	1,601,786	(184,016)
Instructional Staff	942,869	944,937	957,598	(12,661)
Board of Education	203,789	288,789	295,399	(6,610)
Administration	2,674,966	2,678,892	2,734,046	(55,154)
Fiscal	626,919	626,919	629,540	(2,621)
Operation and Maintenance of Plant	3,235,755	3,247,784	3,295,590	(47,806)
Pupil Transportation	1,025,023	1,041,023	968,005	73,018
Central	735,758	719,758	467,549	252,209
Other Non-Instructional Services	131,986	135,486	46,516	88,970
Extracurricular Activities	340,500	340,500	314,340	26,160
<i>Total Expenditures</i>	<u>31,647,981</u>	<u>30,463,170</u>	<u>30,591,430</u>	<u>(128,260)</u>
<i>Excess of Revenues Under Expenditures</i>	(501,729)	(270,679)	(264,042)	6,637
Other Financing Source (Use)				
Proceeds from Sale of Capital Assets	24,000	24,000	0	(24,000)
Transfers Out	(6,658)	(6,658)	(250,212)	(243,554)
<i>Total Other Financing Source (Use)</i>	<u>17,342</u>	<u>17,342</u>	<u>(250,212)</u>	<u>(267,554)</u>
<i>Net Change in Fund Balance</i>	(484,387)	(253,337)	(514,254)	(260,917)
Fund Balance (Deficit) Beginning of Year	(106,298)	(106,298)	(106,298)	0
Prior Year Encumbrances Appropriated	27,781	27,781	27,781	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$562,904)</u>	<u>(\$331,854)</u>	<u>(\$592,771)</u>	<u>(\$260,917)</u>

See accompanying notes to the basic financial statements

Zanesville City School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	\$31,920
Cash and Cash Equivalents in Segregated Accounts	<u>5,001</u>
<i>Total Assets</i>	<u><u>\$36,921</u></u>
 Liabilities	
Due to Students	\$35,377
Due to Others	<u>1,544</u>
<i>Total Liabilities</i>	<u><u>\$36,921</u></u>

See accompanying notes to the basic financial statements

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 219 classified employees and 340 certificated full-time teaching personnel and administrative employees providing education to 4,302 students. The School District currently operates nine 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 insure that the basic financial statements of the School District are not misleading. The primary government 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, 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. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are the Tri-Rivers Educational Computer Association, Mid-East Career and Technology Centers, the Metropolitan Educational Council, the East Central Ohio Special Education Regional Resource Center, Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Benefits Cooperative. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These 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 part by fees charged to external parties for goods or services. The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Bond Retirement Fund The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

Building Fund The Building Fund is used to account for the construction of new school facilities of the School District financed through the sale of bonds.

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, the School District's investments were limited to the State Treasury Asset

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Reserve of Ohio (STAROhio) and a repurchase agreement. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

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 is entirely contributed from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

the straight-line method over the following useful lives:

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

I. Interfund Balances

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Classified employees subject to the School District's collective bargaining agreement earn vacation according to the following schedule:

Service	Vacation Earned
After completing six months	1 week
After completing 2 years	2 weeks as of June 1
After completing 7 years	3 weeks
After completing 12 years	4 weeks

Vacation leave may not be carried forward by these employees from one year to the next unless special approval is given by the Superintendent.

Certified administrative personnel who work 260 days receive 20 days of vacation leave as of January 1st (except for the Superintendent who receives 25 days) in the same year in which the services are rendered (except for the Treasurer whom accrues vacation leave each month). The Superintendent, Assistant Superintendent, and Treasurer are allowed to maintain maximum leave balances of 40 days, 40 days, and 30 days, respectively.

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

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expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which these payments will be made.

K. Retirement Incentive Payable

Certified bargaining unit employees with 30 years of retirement credit can be eligible for a one-time severance bonus of \$12,000. Retirement under this plan must be completed by August 1st following the school year in which each individual bargaining unit member becomes eligible.

Employees who wish to participate in this plan must notify the Superintendent in writing by March 1st of the year. Amounts due to employees based upon their participation in this plan are reported as “retirement incentive payable” on the government-wide financial statements.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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.

N. 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. The School District did not have sufficient unrestricted cash in the General Fund to restrict for unclaimed monies and unspent revenues restricted for the purchase of buses. Therefore, assets were only restricted to the extent that the unrestricted cash existed.

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O. Fund Balance Reserves

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

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include instructional and support services activities and resources of state and federal grants restricted for specified purposes. The government-wide statement of net assets reports \$3,029,960 of restricted net assets. Of the restricted net assets no amount has been restricted by enabling legislation.

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

Q. 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.

R. 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.

S. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of

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control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are not intended to be repaid.

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

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

T. Unamortized Issuance Costs/ Bond Premium and Discount

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

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

Note 3 - Changes in Accounting Principles, Restatement of Fund Balances, and Change in Accounting Estimate

A. Changes in Accounting Principles

For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

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GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

B. Restatements

Restatements were made to June 30, 2005 funds balances/net assets based upon more accurate information as follows:

	Major Funds			Nonmajor Governmental Funds	Totals
	General	Bond Retirement	Building		
Fund Balances (Deficits)					
June 30, 2005	(\$3,510,501)	\$1,768,773	\$6,063,582	(\$657,480)	\$3,664,374
Restatement	27,273	0	0	19,274	46,547
Restated Fund Balances (Deficits) June 30, 2005	(\$3,483,228)	\$1,768,773	\$6,063,582	(\$638,206)	\$3,710,921

	Governmental Activities	Private Purpose Trust
Net Assets June 30, 2005	\$1,713,728	\$11,922
Restatement	10,552	(11,922)
Restated Net Assets June 30, 2005	\$1,724,280	\$0

C. Change in Accounting Estimate

The School District utilizes the vesting method when determining its compensated absences liability. Prior to fiscal year 2006, the School District estimated that those employees with five or more years service time were likely to eventually become eligible for a severance payout and, therefore, a compensated absences liability was accrued. For fiscal year 2006, School District management revised its estimate from five years to nineteen years, based upon a more recent analysis of payroll data. This change has resulted in a decrease of \$1,402,896 in the long-term compensated absences liability and a corresponding decrease in expenses on the Government Wide Financial Statements.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2006, the following funds had fund deficits:

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Notes to the Basic Financial Statements
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	Deficit Fund Balances
<u>General Fund</u>	(\$3,685,629)
<u>Special Revenue Funds:</u>	
Lunchroom	(65,115)
Miscellaneous Local Funds	(49,947)
Poverty Based Assistance	(281)
Ohio Reads Grant	(13,131)
Title VI-B Grant	(176,799)
Title I Grant	(259,608)
Miscellaneous Federal Grants	(53,061)

The deficit in the General Fund was created by the lack of unrestricted resources to cover operations of the fund and also by the adjustment of accrued liabilities. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

The deficit in the Food Service Special Revenue Fund is due to adjustments for accrued liabilities and a failure to adequately fund this program. The deficits in the Miscellaneous Local, Ohio Reads Grant, and Title VI-B Grant Special Revenue Funds are due in part to deficit cash balances as well as adjustments for accrued liabilities. The deficit in the Poverty Based Assistance, Title I Grant, and Miscellaneous Federal Grants Special Revenue Funds are due to adjustments for accrued liabilities.

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur and when cash is available in the General Fund.

B. Compliance

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

	Excess
<u>General Fund</u>	(\$371,814)
<u>Nonmajor Special Revenue Funds:</u>	
Latchkey Fund	(7,345)
Rotary Fund	(40,733)
EMIS Fund	(3,863)
School Net Professional Development Fund	(625)

The General Fund had final appropriations in excess of estimated resources plus available balances for the year ended June 30, 2006:

	Resources	Appropriations	Excess
<u>General Fund</u>	\$30,131,316	(\$30,463,170)	(\$331,854)

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The School District should have Restricted Cash and Cash Equivalents on the balance sheet in the amount of \$53,637 relating to unspent revenues for the purchase of buses and \$6,011 for unclaimed monies; however the School District does not have available unrestricted cash resources to cover these restrictions.

Ohio Revised Code 5705.10 provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative cash balance indicates that money from one fund was used to cover the expenses of other funds. The following funds had deficit cash balances contrary to 5705.10:

	Negative Cash Balances
<u>General Fund</u>	(\$486,676)
<u>Nonmajor Special Revenue Funds:</u>	
Rotary Fund	(10,029)
Ohio Reads Grant Fund	(346)
Title VI-B Grant Fund	(4,499)

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

Note 5 - Budgetary Basis of Accounting

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

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

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

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Net Change in Fund Balance

GAAP Basis	(\$202,401)
Net Adjustment for Revenue Accruals	(272,330)
Net Adjustment for Expenditure Accruals	31,101
Beginning:	
Prepaid Items	19,830
Adjustment to fair value of investment	(1,375)
Ending:	
Prepaid Items	(10,822)
Unrecorded Cash	(59)
Adjustment for Encumbrances	<u>(78,198)</u>
Budget Basis	<u><u>(\$514,254)</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 necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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;
7. The State Treasurer’s investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,830,412 of the School District’s bank balance of \$4,030,412 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments: As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Repurchase Agreement	\$2,116,279	1 Day
STAROhio	48,518	Average 34.77 Days
Total	\$2,164,797	

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.

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Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying security for the repurchase agreement is exposed to custodial credit risk in that the security is held by the counterparty's trust department or agency.

Credit Risk

The underlying security for the repurchase agreement carries a rating of AAA by Standard and Poor's and STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that 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. Of the School District's total investments, 98 percent is invested in the repurchase agreement.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory.

The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent

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for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Muskingum County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The amount available as an advance at June 30, 2006, was \$2,569,925. \$1,838,286 was available to the General Fund and \$731,639 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2005, was \$2,465,915. \$1,747,753 was available to the General Fund and \$718,162 was available to the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$328,287,760	84.06%	\$330,122,250	84.57%
Public Utility Personal	17,578,560	4.50%	17,087,800	4.38%
General Business Personal	44,674,637	11.44%	43,128,967	11.05%
Total Assessed Value	<u>\$390,540,957</u>	<u>100.00%</u>	<u>\$390,339,017</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.33		\$49.33	

Note 8 - Receivables

Receivables at June 30, 2006, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, revenue in lieu of taxes, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year except for the delinquent property taxes in the amount of \$1,304,003.

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A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
School Foundation Adjustments	\$15,919
Excess Costs	107,212
Care Team	12,978
Food Service	182,836
Title VI-B Grant	349,517
Title I Grant	488,593
Title II-D Grant	18,585
Title II-A Grant	192,358
21st Century Grant	72,596
Ohio Reads Grant	23,133
Early Learning Grant	21,864
After School Grant	13,285
 Total	 \$1,498,876

Note 9 - Transfers

Following is a summary of transfers in and out for all funds at June 30, 2006:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$250,212
 <u>Nonmajor Governmental Funds:</u>		
Athletic and Music Special Revenue Fund	2,941	0
Poverty Based Assistance Special Revenue Fund	247,271	0
Total	\$250,212	\$250,212

The transfer to the Athletic and Music Special Revenue Fund of \$2,941 was made to cover the cheerleading advisor's pay. The transfer to the Poverty Based Assistance Special Revenue Fund of \$247,271 was made to close out the Disadvantaged Pupil Impact Aide Special Revenue Fund which is combined with the Poverty Based Assistance Special Revenue Fund on GAAP.

Note 10 - Interfund Balances

Individual interfund receivable and payable balances at June 30, 2006, are as follows:

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Fund	Interfund Receivable	Interfund Payable
<u>Major Funds:</u>		
General Fund	\$14,376	\$514,514
Building Capital Projects Fund	519,657	0
 <u>Nonmajor Governmental Funds:</u>		
Food Service Special Revenue Fund	7,435	0
Miscellaneous Local Special Revenue Fund	0	7,733
Miscellaneous Local Grants Special Revenue Fund	0	14,376
Ohio Reads Grant Special Revenue Fund	0	346
Title VI-B Grant Special Revenue Fund	0	4,499
 Total	 \$541,468	 \$541,468

Interfund receivables and payables represent individual fund cash overdrafts of certain School District funds at year-end. As of June 30, 2006, the Miscellaneous Grant Fund owes the General Fund for reimbursement of expenditures made from the General Fund for mileage reimbursements totaling \$14,376. In addition, the Latchkey program owes the Food Service Fund for reimbursement of expenditures made from the Food Service Fund for lunch and snack reimbursements totaling \$7,435.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

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	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Nondepreciable Capital Assets				
Land	\$1,017,064	\$0	(\$12,885)	\$1,004,179
Construction in Progress	28,272,219	928,302	(29,200,521)	0
Total Nondepreciable Capital Assets	<u>29,289,283</u>	<u>928,302</u>	<u>(29,213,406)</u>	<u>1,004,179</u>
Depreciable Capital Assets				
Buildings and Building Improvements	13,916,304	28,816,001	(2,031,160)	40,701,145
Improvements Other Than Buildings	1,355,597	105,669	(85,313)	1,375,953
Furniture, Fixtures, Equipment and Vehicles	1,833,372	284,850	(6,500)	2,111,722
Total at Estimated Historical Cost	<u>17,105,273</u>	<u>29,206,520</u>	<u>(2,122,973)</u>	<u>44,188,820</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(9,621,643)	(954,231)	1,371,660	(9,204,214)
Improvements Other Than Buildings	(1,121,512)	(42,945)	82,033	(1,082,424)
Furniture, Fixtures, Equipment and Vehicles	(1,250,475)	(151,322)	6,500	(1,395,297)
Total Accumulated Depreciation	<u>(11,993,630)</u>	<u>(1,148,498) *</u>	<u>1,460,193</u>	<u>(11,681,935)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>5,111,643</u>	<u>28,058,022</u>	<u>(662,780)</u>	<u>32,506,885</u>
Governmental Activities Capital Assets, Net	<u>\$34,400,926</u>	<u>\$28,986,324</u>	<u>(\$29,876,186)</u>	<u>\$33,511,064</u>

* Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$437,884
Special Instruction	195,396
Vocational Instruction	7,483
Support Services:	
Pupil	47,030
Instructional Staff	70,367
Administration	69,590
Fiscal	2,054
Operation and Maintenance of Plant	55,507
Pupil Transportation	92,152
Central	1,232
Food Service Operations	137,397
Operation of Non-instructional Services	8,553
Extracurricular Activities	<u>23,853</u>
Total Depreciation Expense	<u>\$1,148,498</u>

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$464,252, \$463,632, and \$455,536, respectively; 51 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$235,728 represents the unpaid contribution for fiscal year 2006.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$2,242,168, \$2,118,703, and \$2,452,859; 82 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$5,843 made by the School District and \$20,469 made by the plan members. \$410,391 represents the unpaid contribution for fiscal year 2006.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio, (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$172,903 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$224,895.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants receiving health care benefits

Note 14 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 272 days for certified employees and up to 252 days for classified employees, including the Superintendent and Treasurer. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 68 days. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to a maximum of 63 days. In addition, teachers may earn an additional day of sick leave compensation for each year that they served with perfect attendance.

B. Insurance

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

C. Retirement Incentive

Upon reaching 30 years of retirement credit in the State Teachers Retirement System (STRS), teachers become eligible to receive a \$12,000 retirement bonus (incentive), providing they retire in their 30th year. The benefit will be paid in one lump sum in January following the year of retirement.

The School District paid \$36,000 for retirement incentives during fiscal year 2006.

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 15 - Long -Term Debt and Other Obligations

Detail of the changes in the long-term obligations of the School District for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Change in Accounting Estimate	Additions	Deductions	Balance June 30, 2006	Amounts Due in One Year
Governmental Activities:						
General Obligation Bonds:						
2001 School Facilities						
Serial Bonds - 2.25-5.38%	\$7,820,000	\$0	\$0	(\$495,000)	\$7,325,000	\$540,000
Term Bonds - 4.75-5.38%	25,900,000	0	0	0	25,900,000	0
2001 School Facilities - Capital Appreciation Bonds						
Original Issue	239,576	0	0	0	239,576	0
Accretion	67,279	0	29,666	0	96,945	0
2001 School Facilities - Serial / Term Bond Discount						
	(37,649)	0	0	1,539	(36,110)	0
2001 School Facilities - Serial/Term Bond Premium						
	260,158	0	0	(30,711)	229,447	0
Total Bonds	34,249,364	0	29,666	(524,172)	33,754,858	540,000
Compensated Absences	3,788,313	(1,402,896)	664,309	(445,868)	2,603,858	210,252
Total Long-Term Obligations	\$38,037,677	(\$1,402,896)	\$693,975	(\$970,040)	\$36,358,716	\$750,252

During December 2002, the School District issued \$34,414,576 in voted general obligation bonds to repay outstanding bond anticipation notes. These general obligations were issued to pay the local share of school construction under the Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial, term, and capital appreciations bonds in the amounts of \$8,275,000, \$25,900,000, and \$239,576. The bonds will be retired from the Bond Retirement Debt Service Fund. The bonds were sold at a premium of \$337,819 and a discount of \$41,540. The premium is reported as an increase to bonds payable while the discount is reported as a decrease to bonds payable. The premium and discount are being amortized over the life of the bonds using the straight-line method. The issuance costs of \$296,274 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. As of June 30, 2006, the School District had \$3,896,904 in unspent bond proceeds in the Building Capital Projects Fund.

The overall debt margin of the School District as of June 30, 2006 resulted in a negative amount of (\$1,223,235), with an un-voted margin of \$341,724. This negative legal debt margin is a result of H.B. 66, which removed the railroad and telephone tangible personal property from the overall assessed valuation of the School District.

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

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

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

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

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

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

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

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

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

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

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

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The capital appreciation bonds mature on December 1, 2013. These bonds were purchased at a premium at the time issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$945,000. For fiscal year 2006, \$29,666 was accreted for a total bond liability of \$336,521.

A. Principal and Interest Requirements

A summary of the School District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2006, follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2007	\$540,000	\$1,560,964	\$2,100,964
2008	590,000	1,543,614	2,133,614
2009	640,000	1,523,226	2,163,226
2010	695,000	1,500,611	2,195,611
2011	750,000	1,475,109	2,225,109
2012-2016	3,974,576	7,642,549	11,617,125
2017-2021	6,840,000	5,603,241	12,443,241
2022-2026	9,720,000	3,633,637	13,353,637
2027-2030	9,715,000	966,440	10,681,440
Totals	<u>\$33,464,576</u>	<u>\$25,449,391</u>	<u>\$58,913,967</u>

B. Compensated Absences

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

Note 16 - Statutory Reserves

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	Textbooks	Capital Improvements
Set-aside reserve (cash) balance as of June 30, 2005	\$0	\$0
Carry over from prior year	(395,342)	(5,439,816)
Current year set-aside requirement	0	622,479
Current year offsets	0	(2,297,391)
Qualifying disbursements	(294,078)	(225,726)
Total	(\$689,420)	(\$7,340,454)
Set-aside balance carried forward to future fiscal years	(\$689,420)	(\$7,340,454)
 Set-aside reserve (cash) balance as of June 30, 2006	 \$0	 \$0

The School District had qualifying disbursements and offsets during the fiscal year that further reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts in the textbooks and capital acquisition set asides may be used to reduce the set-aside requirements in future fiscal years. The School District was granted a waiver from the Ohio Department of Education to waive the textbook set-aside requirement due to being in fiscal caution.

Note 17 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

Note 18 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2006 the School District contracted with several different insurance providers for insurance coverage, as follows:

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Notes to the Basic Financial Statements
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Insurance Provider	Coverage	Limit of Insurance	Deductible
Utica National Insurance Group	Building and Personal Property Blanket	\$74,678,681	\$5,000
Utica National Insurance Group	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	\$100,000	
	Medical Expense Limit (Any One Person)	\$10,000	
Utica National Insurance Group	Commercial Inland Marine Coverage	\$1,415,000	\$1,000
Utica National Insurance Group	Commercial Auto Coverage:		
	Liability	\$1,000,000	
	Auto Medical Payments	\$1,000	
	Uninsured Motorists	\$50,000	
	Underinsured Motorists	\$50,000	
	Comprehensive	Cash Value	\$1,000
	Collision	Cash Value	\$1,000
Utica National Insurance Group	Commercial Crime Coverage:		
	Inside the Premises - Per occurrence	\$25,000	
	Outside the Premises - Per messenger	\$25,000	
	Forgery or Alteration - Per occurrence	\$100,000	
	Employee Dishonesty - Per employee	\$100,000	
Utica National Insurance Group	Commercial Umbrella Liability:		
	General Aggregate Limit	\$3,000,000	
	Completed Operations Aggregate Limit	\$3,000,000	
	Each Incident Limit	\$3,000,000	
	Retained Limits-Each Incident	\$10,000	
Utica National Insurance Group	Commercial Property Coverage (Auxiliary Svcs):		
	Building and Personal Property Blanket	\$388,739	\$1,000
State Auto Insurance Company	Commercial Inland Marine Coverage	\$5,590	\$250
Cincinnati Insurance Company	Public Official's Bond - Treasurer	\$50,000	
Cincinnati Insurance Company	Public Official's Bond - Superintendent	\$20,000	
Cincinnati Insurance Company	Public Official's Bond - Board President	\$20,000	

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

For fiscal year 2006, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 19 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association (TRECA)

The School District is a participant in TRECA, which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During 2006, the School District paid \$224,685 for services with TRECA. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio, 43302.

B. Mid-East Career and Technology Centers

The Mid-East Career and Technology Centers is a jointly governed organization providing vocational education services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's boards. The Board possesses its own budgeting and taxing authority. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2006, the School District made no contributions to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

C. Metropolitan Educational Council (MEC)

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of 166 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2006, the School District made a payment of \$1,616 to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Denise Canfield, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

D. East Central Ohio Special Education Regional Resource Center (ECO SERRC)

The School District participates in the East Central Ohio Special Education Regional Resource Center (ECO SERRC), a jointly governed organization. The organization selects its own board, adopts its own budget, and receives direct federal and state grants for its operation. The jointly governed organization

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in east central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2006, the School District paid \$6,195 to Tuscarawas-Carroll-Harrison Educational Service Center for ECO SERRC services. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Education Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

E. Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel.

The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2006.

Note 20 - Insurance Purchasing Pools

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

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

B. Ohio School Benefits Cooperative (OSBC)

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for

Zanesville City age School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants. 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 OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

Note 21 – Fiscal Caution

On March 2, 2006, the Zanesville City School District was placed in fiscal caution by the Ohio Department of Education and was required to submit a fiscal caution proposal by May 2, 2006 to address the projected deficit. The School District's latest plan was filed and accepted on February 14, 2007, and includes a reduction of workforce as well as other cuts in maintenance and operations. The Ohio Department of Education has not yet lifted School District's fiscal caution status.

Note 22 - Subsequent Event

The School District is currently involved in the Ohio School Facilities Commission (OSFC) Expedited Local Partnership Program. The School District has completed Phase 1 of the construction project and must pass a ½ mill maintenance levy, per the OSFC agreement, before the Phase 2 monies will be distributed and the project started. This ½ mill maintenance levy was placed on the ballot and passed on February 6, 2007.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	10.550	N/A	\$	\$ 141,023	\$	\$ 141,023
Nutrition Cluster:						
School Breakfast Program	10.553	045179-05PU-2005	69,243		69,243	
	10.553	045179-05PU-2006	172,767		172,767	
Total School Breakfast Program			242,010	0	242,010	0
National School Lunch Program	10.555	045179-LLP1-2005	2,150		2,150	
	10.555	045179-LLP1-2006	9,308		9,308	
	10.555	045179-LLP4-2005	214,507		214,507	
	10.555	045179-LLP4-2006	605,332		605,332	
Total National School Lunch Program			831,297	0	831,297	0
Child and Adult Care Food Program	10.558	045179-CCMO-2005	52		52	
	10.558	045179-CCMO-2006	11,075		11,075	
	10.558	045179-LUCP-2006	528		528	
Total Child and Adult Care Food Program			11,655	0	11,655	0
Summer Food Service Program for Children	10.559	045179-23PU-2005	19,710		19,710	
	10.559	045179-24PU-2005	2,053		2,053	
Total Summer Food Service Program for Children			21,763	0	21,763	0
Total Nutrition Cluster			1,106,725	0	1,106,725	0
Total United States Department of Agriculture			1,106,725	141,023	1,106,725	141,023
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	045179-C1S1-2005	297,677		331,370	
	84.010	045179-C1S1-2006	1,501,923		1,406,212	
	84.010	045179-C1SD-2005	(1,686)		1,593	
	84.010	045179-C1SD-2006	5,258		36,565	
	84.010	048884-C1SK-2005	12,486		49,452	
	84.010	048884-C1SK-2006	93,863		99,665	
Total Title I Grants to Local Educational Agencies			1,909,521	0	1,924,857	0
Special Education Grants to States	84.027	045179-6BSF-2005	57,541		116,926	
	84.027	045179-6BSF-2006	967,085		971,584	
Total Special Education Grants to States			1,024,626	0	1,088,510	0
Safe and Drug-Free Schools and Communities: State Grants	84.186	045179-DRS1-2006	39,306		39,306	
Even Start: State Educational Agencies	84.213	045179-EVS1-2005			24,997	
	84.213	045179-EVS1-2006	208,879		197,848	
Total Even Start: State Educational Agencies			208,879	0	222,845	0
Twenty-First Century Community Learning Centers	84.287	045179-T1S1-2005	120,000		123,605	
	84.287	045179-T1S1-2006	227,404		215,533	
Total Twenty-First Century Community Learning Centers			347,404	0	339,138	0
State Grants for Innovative Programs	84.298	045179-C2S1-2005	3,944		4,463	
	84.298	045179-C2S1-2006	17,088		12,808	
Total State Grants for Innovative Programs			21,032	0	17,271	0

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
Education Technology State Grants	84.318	045179-TJS1-2005	8,191		0	
	84.318	045179-TJS1-2006	37,158		31,212	
Total Education Technology State Grants			45,349	0	31,212	0
Advanced Placement Program	84.330	AVTF-2004	260		260	
Comprehensive School Reform Demonstration	84.332	045179-RFCC-2005	31,790		31,889	
Reading First State Grants	84.357	045179-RSS1-2005	33,547		34,692	
Improving Teacher Quality	84.367	045179-TRS1-2005	75,783		96,599	
	84.367	045179-TRS1-2006	420,603		389,642	
Total Improving Teacher Quality			496,386	0	486,241	0
<i>Passed Through Ohio Department of Education and Ohio School Facilities Commission:</i>						
School Renovation Grants	84.352A	826	1,675		1,675	
Total United States Department of Education			4,159,775	0	4,217,896	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	93.767	N/A	6,062		6,062	
Medical Assistance Program	93.778	N/A	150,554		150,554	
Total United States Department of Health and Human Services			156,616	0	156,616	0
Total Federal Awards Receipts and Expenditures			\$ 5,423,116	\$ 141,023	\$ 5,481,237	\$ 141,023

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

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Zanesville City School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-005 and 2006-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the School District's management dated May 3, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-001 through 2006-004. In a separate letter to the School District's management dated May 3, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

May 3, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Zanesville City School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in items 2006-007 and 2006-008 in the accompanying Schedule of Findings and Questioned Costs the School District did not comply with requirements regarding reporting and eligibility applying to its Nutrition Cluster program. Compliance with those requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-006 through 2006-008.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not believe the reportable conditions described above are material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 3, 2007

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster, CFDA Nos. 10.553, 10.555, 10.558, and 10.559; Title I Grants to Local Educational Agencies, CFDA No. 84.010; Improving Teacher Quality, CFDA No. 84.367;
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code § 5705.412(B) states that no school district shall adopt any appropriation measure, make any qualifying contract, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate, signed as required by this section, that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in its adopted school calendars for the current fiscal year and for a number of days in succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation – Ohio Rev. Code § 5705.412(B) (Continued)

The School District entered into a new negotiated agreement which also included an increased salary schedule on April 26, 2006; however, the School District did not certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year.

We recommend that Section 5705.412 certificates be executed for all appropriation measures, increased salary or wage schedules, and any other “qualifying contracts”, including, negotiated agreements (e.g. professional association [“union”] contracts and, contracts for benefits (e.g., major health insurance contracts) as required.

Officials’ Response

A Certificate was not executed due to the 5 year forecast, approved by the board in October of 2005, projecting a deficit balance at June 30, 2006.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code § 5705.36(A)(5) provides that total appropriations from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. Ohio Revised Code § 5705.39 prohibits total appropriations in each fund from exceeding total estimated resources.

Appropriations exceeded estimated resources at month end in the following funds and months during fiscal year 2006:

Month	Fund	Amount
June 30, 2006	General Fund	(\$331,854)
December 31, 2005	General Fund	(\$572,637)
December 31, 2005	Miscellaneous Grant Funds	(\$125,535)
December 31, 2005	Ohio Reads Fund	(\$40,000)
October 31, 2005	General Fund	(\$572,637)

Adopting appropriations in excess of estimated resources could result in deficit spending.

We recommend the Treasurer and Board limit appropriations to certified estimated resources. Prior to the Board of Education adopting any supplemental appropriations, the Treasurer should compare supplemental appropriations to be adopted with estimated resources. In those cases where supplemental appropriations will be in excess of estimated resources, then increased amended certificates should be obtained if additional revenues are expected, or the Board should refrain from adopting supplemental appropriations. In the case of the Miscellaneous Grant Fund and the Ohio Reads Fund, amended estimated resources were not obtained until May 2006.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation – Ohio Rev. Code § 5705.36(A)(5) (Continued)

Officials’ Response

Our district was in a fiscal caution status in fiscal year 2006 and is presently in fiscal caution. This is due to our expenditures exceeding revenue. As part of our Fiscal Caution Plan, which was approved by the Ohio Department of Education on February 14, 2007, in fiscal year 08, we will be in a positive spending mode (revenue exceeding expenditures). This applies to the General and DPIA Funds.

The Miscellaneous Grant Fund and Ohio Reads Grant Fund obtained amendments to their estimated resources after board approval of the appropriations.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits each subdivision or taxing authority from expending money unless it has been appropriated.

Expenditures exceeded appropriations at month end in the following funds for each of the three months tested during fiscal year 2006:

Fund	December 2005 Variance	April 2006 Variance	June 2006 Variance
General Fund	\$0	\$0	(\$371,814)
Latchkey Fund	\$0	\$0	(\$7,345)
Rotary Fund	\$0	(\$389)	(\$40,733)
EMIS Fund	\$0	\$0	(\$3,863)
School Net Professional Development Fund	\$0	\$0	(\$625)
Student Intervention Grant Fund	(\$709)	(\$709)	\$0

Spending monies which have not been properly appropriated could result in deficit cash balances as evidenced by the deficit cash balances of \$486,676 and \$10,029 in the School District’s General Fund and Rotary Fund, respectively, as of June 30, 2006.

We recommend the Treasurer refrain from making expenditures unless sufficient appropriations have been adopted by the Board and certified by the County Auditor.

Officials’ Response

With the exception of the General Fund (see note with finding number 2006-002 above), all funds had sufficient balances to meet their expenditures. More care will be taken in the future to adjust appropriations on a more timely basis.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Rev. Code § 5705.10 (H) states, in part, that money paid into a fund must be used for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expense of another fund.

The School District had negative fund balances at month end for the following months tested during fiscal year 2006:

<u>Fund</u>	October 2005 Variance	January 2006 Variance	April 2006 Variance	June 2006 Variance
General Fund		(\$2,856,323)	(\$822,094)	(\$486,676)
Lunchroom Fund (006)	(\$137,902)	(\$44,155)		
Rotary Fund (014)		(\$5,168)		(\$10,029)
Ohio Reads Fund (459)			(\$324)	(\$346)
DPIA Fund (447)	(\$248,049)	(\$247,271)	(\$247,271)	
Miscellaneous State Grant Fund (499)	(\$549)	(\$33,929)		
Title VI-B Fund (516)	(\$132,075)			(\$4,499)
Title I Fund (572)	(\$112,454)			
Title V Fund (573)		(\$172)		
Title IIA Fund (590)	(\$28,211)		(\$12,354)	
Miscellaneous Federal Grant Fund (599)	(\$9,925)			

We recommend the School District only use money for the purposes for which the fund has been established.

Officials' Response

Our district was in a fiscal caution status in fiscal year 2006 and is presently in fiscal caution. This results in deficit cash balances throughout the fiscal year. As part of our Fiscal Caution Plan, which was approved by the Ohio Department of Education on February 14, 2007, in fiscal year 08, we are projecting a positive balance at June 30, 2008.

State and Federal funds in deficit balances were due to cash requests from the Ohio Department of Education being received after the end of those months noted.

FINDING NUMBER 2006-005

Reportable Condition

School District management is responsible for maintaining an accounting system and accounting records sufficient to enable the School District to identify, assemble, analyze, classify, record, and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial assertions are achieved for all transaction types and account balances.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-005 (Continued)

Reportable Condition (Continued)

The School District's capital assets were overstated on the basic financial statements and significant adjustments were required in order to correct these errors. All costs related to the School District construction projects were capitalized and booked entirely as additions to "Buildings" upon completion of the projects, rather than as additions to other appropriate asset classes, such as "Improvements Other Than Buildings" and "Furniture, Fixtures, and Equipment". As a result, audit adjustments were necessary in order to properly record capital asset activity and balances.

We recommend management review expenditure documentation (contracts, purchase orders, vouchers, etc.) as it is processed to identify those expenditures that should be recorded as capital asset additions and to determine to what asset classes the additions should be posted. This process would help assure that capital asset additions are updated on a continuing basis throughout the year. Management should also periodically reconcile its capital outlay expenditures to additions on the School District's capital asset records. School District management should also periodically review the capital asset policy in order to ensure that the School District's records and reports are in compliance with its policy.

Officials' Response

To ensure uniformity between our policy and our procedures, we are presently reviewing our Capital Asset policy and how we report assets. We also had an appraisal company do a physical appraisal to update our records. The appraisal software will provide a system for us to internally update our inventory. In addition, we will have a procedure in place for a manual or random check of our inventory by room.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2006-006
CFDA Title and Number	Nutrition Cluster – CFDA Nos. 10.553, 10.555, 10.558, and 10.559
Federal Award Number / Year	045179-05PU-2005, 045179-05PU-2006, 045179-LLP1-2005, 045179-LLP1-2006, 045179-LLP4-2005, 045179-LLP4-2006, 045179-CCMO-2005, 045179-CCMO-2006, 045179-LUCP-2006, 045179-23PU-2005, and 045179-24PU-2005
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Reportable Condition

7 C.F.R. § 210.8(a)(1) requires each school food authority with more than one school to perform no less than one on-site review of the lunch counting and claiming system employed by each school under its

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2006-006 (Continued)

Reportable Condition (Continued)

jurisdiction. The on-site review shall take place prior to February 1 of each school year. Further, if the review discloses problems with a school's meal counting or claiming procedures, the school food authority shall: ensure that the school implements corrective action; and, within 45 days of the review, conducts a follow-up on-site review to determine that the corrective action resolved the problems. Each on-site review shall ensure that the school's claim is based on the counting system authorized by the State agency under Sec. 210.7(c) of this part and that the counting system, as implemented, yields the actual number of reimbursable free, reduced price and paid lunches, respectively, served for each day of operation.

During February 2006, School District personnel performed on-site reviews for each school within the School District and every review indicated the school was operating without any weaknesses. More specifically, we noted the following:

1. Question 3 of Part III of the Checklist was answered "no" to indicate that for any day during the review month that the number of meals claimed did not exceed the average daily attendance (ADA). With the exception of the CN-7 reports prepared by the Café Terminal System, CN-7 reports did not include monthly average daily membership (ADM) and ADA numbers. Without these numbers recorded on the CN-7 reports, proper monitoring is more difficult and less likely to occur.
2. Question 4 of Part III from the Checklist was answered "yes" to indicate each school had proper procedures to manage and safeguard cash (reconciliation, extra item sales, adult meals, etc.). Our analysis of cash reconciliation procedures and subsequent testing at each of the schools indicated the following:
 - A. For Zanesville High School which utilized the Café Terminal System, controls appear adequate over the counting of cash and assuring the amount of cash counted was deposited (deposit tickets were initialed by two cooks prior to deposit, indicating that a count of the monies was performed and agreed to the deposit slip). However, there was no documentation presented to indicate that cash collections were compared to Closing Receipt Reports and overages/shortages, if any, were found to be reasonable.
 - B. For Roosevelt Middle School and Grover Cleveland Middle School which utilized the Café Terminal System, a Closing Receipt Report was printed for each day in order to perform a reconciliation between amounts on the Report and actual cash collected. However, there were no initials present on the Reports to indicate that responsible parties compared cash to amounts on the Reports and found overages/shortages, if any, to be reasonable. For the days we tested, the amounts noted as "Total in Till" agreed to deposit slips.
 - C. For McIntire Munson Elementary School which utilized a cash register, cash register tapes were attached to deposit slips. However, neither the cash register tapes nor the deposit tickets were initialed by responsible parties to indicate that cash as counted reconciled to collections per the cash register tapes. For the days we tested, variances existed from \$1 to \$30 between amounts per the deposit tickets and the cash register tapes (in most instances, amounts deposited were greater than amounts shown on cash register tapes).

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2006-006 (Continued)

Reportable Condition (Continued)

- D. For National Road Elementary School and Rufus Putnam Elementary School which utilized tally sheets, there were no initials on either the deposit slips or tally sheets indicating that a reconciliation between cash to meals served had been performed and overages/shortages, if any, were found to be reasonable. For the days we tested, amounts recorded on the CN-6's and CN-7's were traced to amounts deposited without exception.

- E. For Westview Elementary School which utilized a cash register, cash register tapes were attached to deposit slips. However, neither the cash register tapes nor the deposit tickets were initialed by responsible parties to indicate that cash as counted reconciled to collections per the cash register tapes. For the days we tested, amounts on the cash register tapes were usually several dollars less than amounts on the deposit tickets. In addition, for the days we tested, amounts in excess of those printed on the cash register tapes were hand-written on the tapes for the total number of paid and reduced lunches served. There was no other supporting documentation provided to support the higher, hand-written amounts, nor were there any initials of the party responsible for the hand-written amounts.

- F. For Wilson Elementary School which utilized pre-count forms and tally sheets, tally sheets were prepared at the point of service. However, the tally sheets did not include initials of a responsible party or other evidence to indicate that a reconciliation had been performed between amounts on the tally sheets and cash collected and overages/shortages, if any, were found to be reasonable. For the days we tested, we determined that items such as milk, a la carte, and adult lunches were not entirely documented on the tally sheets. Amounts on the CN-7 reports were consistently higher than those on the supporting documentation when variances existed. Amounts on the CN reports appeared to be timely deposited for the days we tested.

The Checklist was not accompanied by supporting documentation to indicate the time period and analyses performed upon which the Checklist answers were based. In addition, without formal procedures to document comparisons of moneys collected to what should have been collected, errors or irregularities could occur and go undetected by management.

Since the on-site review process is designed to detect and correct weaknesses, we recommend that School District personnel preparing the Checklist obtain the necessary understanding of each school's operations in order to answer each checklist item accurately. We also recommend that documentation be prepared and attached to each Checklist in order to support the answers recorded.

Every school should have formalized procedures whereby responsible parties count the cash collected and reconcile it to tally sheets, cash registers and/or Closing Receipt Reports. Any overages/shortages should be identified and the reconciliation should be initialed to provide evidence the reconciliation was performed and found to be acceptable. Management should monitor each school to assure that reconciliation procedures are being followed.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2006-006 (Continued)

Reportable Condition (Continued)

Officials' Response and Corrective Action Plan

With the change in Food Service Department personnel, certain aspects of the ADM or Daily Lunch Meals were not calculated. In fiscal year 2008, we will be placing the Café Terminal System in all schools. This will allow for the ADM and ADA numbers to be shown and reviewed.

With the change in Food Service Department personnel, the time available to get acclimated to the requirements of the various reports, and the timing of the previous audit (the post-audit was not done until July 2006), many of these areas were not addressed until this fiscal year (2007).

CN7 reports and deposit slips were checked and any overages/shortages were later changed on the Café Terminal. All ala carte items were ran through the Café Terminal as one cash amount. Not being aware that these reports were supposed to be initialed at the time in question, we have since changed our policy and each head cook is now initialing each report. Head cooks have also been instructed to make sure the deposit tickets reconcile with the reports.

At Westview Elementary, the cash register does not have a daily prepaid button, which may not indicate all lunches served. Lunch slips given by each teacher are being kept daily in the lunchroom as proof of lunches served.

Finding Number	2006-007
CFDA Title and Number	Nutrition Cluster – CFDA Nos. 10.553, 10.555, 10.558, and 10.559
Federal Award Number / Year	045179-05PU-2005, 045179-05PU-2006, 045179-LLP1-2005, 045179-LLP1-2006, 045179-LLP4-2005, 045179-LLP4-2006, 045179-CCMO-2005, 045179-CCMO-2006, 045179-LUCP-2006, 045179-23PU-2005, and 045179-24PU-2005
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Reportable Condition and Noncompliance Citation

7 C.F.R. § 210.8(a)(2) requires each school food authority, prior to the submission of a monthly Claim for Reimbursement, to review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement.

Our testing of various food service records did not disclose any apparent reviews being made to assure the accuracy of data on the Site Claim Forms. Minor variances existed between meal counts taken at the point of service and meals reported as served on the CN reports. However, variances also existed between meals reported as served on the CN reports and meals reported for reimbursement on the Site

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2006-007 (Continued)

Reportable Condition and Noncompliance Citation (Continued)

Claim Forms. The more significant variances noted for those records tested pertained to McIntire Munson Elementary School and included an understatement on the Site Claim Form for 4,332 free lunches served as reflected on the CN-7 Report for August/September 2005 and an understatement of 300 free breakfasts served as reflected on the CN-6 Report for October 2005. Both of these understatements appear to have resulted from footing errors on the CN Reports.

We recommend that, prior to the completion of the Site Claim Forms, the CN Reports be footed and cross-footed by an individual other than the preparer and reviewed for reasonableness. The individual performing the review should initial and date the CN Reports to provide evidence that the review was performed.

Officials' Response and Corrective Action Plan

All kitchens have been issued adding machines to reconcile their state reports with a tape. The office has also started double checking these numbers and initialing the same. By this time next year, all schools will have a QSP computer system to help eliminate these issues. Money counters have also been implemented in three buildings.

Finding Number	2006-008
CFDA Title and Number	Nutrition Cluster – CFDA Nos. 10.553, 10.555, 10.558, and 10.559
Federal Award Number / Year	045179-05PU-2005, 045179-05PU-2006, 045179-LLP1-2005, 045179-LLP1-2006, 045179-LLP4-2005, 045179-LLP4-2006, 045179-CCMO-2005, 045179-CCMO-2006, 045179-LUCP-2006, 045179-23PU-2005, and 045179-24PU-2005
Federal Agency	U.S. Department of Agriculture (CFDA Nos. 10.553, 10.555)
Pass-Through Agency	Ohio Department of Education

Reportable Condition and Federal Questioned Costs

7 C.F.R. § 210.7(c)(1)(iii) requires that all claims for reimbursements be based on lunch counts, taken daily at the point of service, and correctly identify the number of free, reduced price and paid lunches served to eligible children. 7 C.F.R. § 220.11(b), pertaining to reimbursements for breakfasts served, requires that the Claim for Reimbursement for any month shall include only breakfasts served in that month, except if the first or last month of Program operations for any year contains 10 operating days or less, such month may be added to the Claim for Reimbursement for the appropriate adjacent month.

7 C.F.R. § 210.23(c) requires school food authorities to retain necessary records for a period of 3 years after the date of submission of the final Claim for Reimbursement for the fiscal year. If audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the

**ZANESVILLE CITY SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2006-008 (Continued)

Reportable Condition and Federal Questioned Costs (Continued)

resolution of the issues raised by the audit. In addition, Ohio Rev. Code Section 149.351(A) provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42.

In the case of McIntire Munson Elementary School, pre-count forms were prepared and used as a basis for the head cook to determine the number of meals to prepare and as a basis to document the number and types of meals served. However, the pre-count forms could not be located for audit. In addition to the pre-count forms, School District personnel issued tickets to students based on the type of meal each was to be served. The number and type of tickets presented at the point of service were recorded daily on a separate sheet and these separate sheets were retained by the School District and presented for audit. Although School District personnel do not believe the ticket count sheets accurately accounted for all the meals served as did the pre-count forms, the ticket count sheets were the only remaining documentation available to support the number and types of lunches served. We compared the data entered on the daily ticket count sheets to the CN-7 reports and to the Site Claim Forms. Net reimbursements in the amount of \$2,952 were made to the School District for school lunches in excess of what documentation supported. School District personnel indicated that a record of breakfasts served was not maintained at the point of service and, therefore, reimbursements in the amount of \$31,946 were made to the School District which were not supported by adequate documentation. As a result, questioned costs are being issued in the amount of \$34,898 for reimbursements for lunches and breakfasts served at McIntire Munson Elementary School.

In the case of National Road Elementary School, tally sheets were prepared daily to record the types and numbers of breakfasts and lunches served. However, a tally sheet was not retained and made available for audit for August 24, 2005. As a result, questioned costs are being issued in the amount of \$549 for reimbursement for lunches and breakfasts served at National Road Elementary School on August 24, 2005.

In the case of Westview Elementary School, free and reduced meal applications were not retained to support free and reduced price meals served during the year. In addition, the tickets utilized to account for the number and type of meals served were not retained and made available for audit. As a result, questioned costs are being issued in the amount of \$85,682 for reimbursement for lunches and breakfasts served at Westview Elementary School throughout the year ended June 30, 2006.

These questioned costs may have been prevented had the School District implemented policies and procedures addressing the preparation and retention of required food service records for federal reimbursements.

Total questioned costs issued amount to \$121,129 and were calculated in the following table. The negative number of free lunches served included below resulted from the understatement of free lunches served on the Site Claim Form for August/September 2005 where supporting documentation indicated approximately 4,000 more free lunches served than reported for reimbursement.

**ZANESVILLE CITY SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2006-008 (Continued)

Reportable Condition and Federal Questioned Costs (Continued)

	McIntire Munson Elementary	National Road Elementary	Westview Elementary	Grand Total
Number of Paid Lunches Served	5,362	149	24,323	
Reimbursement Rate	\$0.24	\$0.24	\$0.22	
Subtotal	\$1,287	\$36	\$5,351	\$6,674
Number of Free Lunches Served	(1,934)	176	24,178	
Reimbursement Rate	\$2.34	\$2.34	\$2.32	
Subtotal	(\$4,526)	\$412	\$56,093	\$51,979
Number of Reduced Lunches Served	3,191	7	3,634	
Reimbursement Rate	\$1.94	\$1.94	\$1.92	
Subtotal	\$6,191	\$14	\$6,977	\$13,181
Number of Paid Breakfasts Served	580	2	1,759	
Reimbursement Rate	\$0.23	\$0.23	\$0.23	
Subtotal	\$133	\$0	\$405	\$538
Number of Free Breakfast Served	24,766	69	12,653	
Reimbursement Rate	\$1.27	\$1.27	\$1.27	
Subtotal	\$31,453	\$88	\$16,069	\$47,610
Number of Reduced Breakfasts Served	371	0	811	
Reimbursement Rate	\$0.97	\$0.97	\$0.97	
Subtotal	\$360	\$0	\$787	\$1,147
Grand Total	\$34,898	\$549	\$85,682	\$121,129

We recommend the School District implement policies and procedures to ensure that the appropriate records are prepared and retained as required by state and federal regulations.

Officials' Response

The year 2005-2006 was the beginning of new management in the Food Service Department. Procedures were followed that were already in place at the time of the changeover. However, because we combined buildings, moved furniture and boxes from building to building, information, including lunch applications, were misplaced or inadvertently thrown away. These papers had the information needed to verify the figures in question. We have implemented the necessary procedures to prevent this from happening in the future.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code § 5705.10 (H) – Negative fund balances	No	Not corrected. Repeated in current year as finding number 2006-004.
2005-002	Material weakness – School District did not follow its capital asset policy for reporting capital assets	No	Partially corrected. Reportable condition is included for capital asset deficiencies in the current audit as finding number 2006-005.
2005-003	Ohio Rev. Code § 149.351(A) – Disposal of public records	No	Not corrected. Repeated in current year audit as part of finding number 2006-008.
2005-004	Material weakness – Failure to implement control procedures within the food service receipt cycle	No	Not corrected. Repeated in current year audit as part of finding numbers 2006-006 through 2006-008.
2005-005	7 C.F.R. § 210.7(c)(1)(iii) – Missing food service records and questioned costs in the amount of \$22,208 for unsupported reimbursements	No	Not corrected. Repeated in current year audit as part of finding number 2006-008.
2004-001	Ohio Rev. Code § 5705.41(B) – Expenditures made in excess of appropriations	No	Not corrected. Repeated in the current year audit as finding number 2006-003.
2004-003	Material weakness – Several significant deficiencies were noted within the District’s capital asset policy	No	Partially corrected. Reportable condition is included for capital asset deficiencies in the current audit as finding number 2006-005.

**ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-006 through 2006-008	See Officials' Response after each finding for a corrective action plan.	Ongoing.	Cindy Nye, Treasurer



Mary Taylor, CPA
Auditor of State

ZANESVILLE CITY SCHOOL DISTRICT
MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 22, 2007