



**Auditor of State  
Betty Montgomery**



**MID-EAST OHIO VOCATIONAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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**Auditor of State**  
**Betty Montgomery**

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## **INDEPENDENT ACCOUNTANTS' REPORT**

Mid-East Ohio Vocational School District  
Muskingum County  
400 Richards Road  
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 Mid-East Ohio Vocational School District, Muskingum County, Ohio (the District), as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 Mid-East Ohio Vocational School District, Muskingum County, as of June 30, 2002, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Adult Education Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and Interpretation No. 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as 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 this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 4, 2003

**Mid-East Ohio Vocational School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2002**  
**Unaudited**

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The discussion and analysis of the Mid-East Ohio Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2002 are as follows:

- In total, net assets of governmental activities increased \$ 147,465.
- General revenues accounted for \$8,471,026 in revenue or 63.8 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,801,701 or 36.2 percent of total revenues of \$13,272,727.
- Total assets of governmental activities increased by \$749,330. The majority of this increase is from cash and cash equivalents increasing by \$687,803 as a result of conservative spending. Taxes receivable and intergovernmental receivables, materials and supplies inventory, and capital assets have also increased.
- The School District had \$13,124,962 in expenses related to governmental activities; only \$4,801,701 of these expenses were offset by program specific charges for services, grants or contributions, and interest. General revenues (primarily taxes and intergovernmental revenues) of \$8,471,026 were adequate to provide for these programs.
- The School District has three major funds; the general fund, adult education special revenue fund, and the permanent improvement capital projects fund. The general fund had \$9,922,553 in revenues and \$9,101,212 in expenses. The general fund's balance decreased \$280,489. The adult education special revenue fund had \$1,435,811 in revenues and \$1,443,648 in expenses and fund balance increased \$237,163. The permanent improvement capital projects fund had \$39,449 in revenues and \$567,836 in expenses and the fund balance increased \$337,378.

### **Using this Basic Financial Statements 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 Mid-East Ohio Vocational School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**Mid-East Ohio Vocational School District**  
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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 also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Mid-East Ohio Vocational School District, the general fund, adult education special revenue fund and the permanent improvement capital project fund are the major funds.

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

*Statement of Net Assets and Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2001-2002 fiscal year?" 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.

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, the School District's activities are considered to be all governmental activities:

- Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

***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 a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, adult education special revenue fund, and the permanent improvement 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 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



**Mid-East Ohio Vocational School District  
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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 2002 compared to 2001.

(Table 1)  
Net Assets

	Governmental Activities	
	2002	2001
Assets		
Current and Other Assets	\$13,498,909	\$12,922,288
Capital Assets	4,969,353	4,796,644
Total Assets	18,468,262	17,718,932
Liabilities		
Long-Term Liabilities	(964,220)	(835,120)
Other Liabilities	(4,546,111)	(4,073,646)
Total Liabilities	(5,510,331)	(4,908,766)
Net Assets		
Invested in Capital		
Assets Net of Debt	4,521,031	4,194,119
Restricted	3,945,374	3,257,041
Unrestricted	4,491,526	5,359,006
Total Net Assets	\$12,957,931	\$12,810,166

Total assets increased \$749,330. Equity in pooled cash and cash equivalents increased \$687,803. Capital assets increased by \$172,709. Taxes receivable increased \$131,266 which is partially offset by an increase in deferred revenue. The remaining increase in taxes receivable resulted from increased tax estimates at June 30, 2002.

Long-term liabilities increased \$129,100 which is largely attributed to the net increase in compensated absences payable of \$148,303. In addition, the School District entered into two capital lease agreements with a combined liability of \$54,830.

Other liabilities also increased by \$472,465 or 11.5 percent. \$75,863 of this increase can be attributed to an increase in accounts payable. In addition, the financial statements reflect an increase in salary amounts of \$169,388 as compared to fiscal year 2001. Claims payable associated with the health insurance internal service fund increased from fiscal year 2001 in the amount of \$71,968. The remaining increase

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can be attributed to the recognition of deferred revenue in relation to taxes receivable as mentioned earlier.

Net assets increased \$147,765. Most of this increase can be attributed to the amount by which additions to capital assets exceeded disposals and annual depreciation expense. Unrestricted net assets decreased \$867,480 or 18 percent primarily due to an increase in claims payable of the internal service fund.

Table 2 shows the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

Table 2  
Change in Net Assets

	Governmental Activities 2002
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$1,453,207
Operating Grants, Contributions, and Interest	3,251,801
Capital Grants and Contributions	96,693
Total Program Revenues	4,801,701
General Revenues:	
Property Taxes	4,460,102
Grants and Entitlements	3,821,816
Other	189,108
Total General Revenues	8,471,026
Total Revenues	13,272,727
 <b>Program Expenses</b>	
Instruction	7,723,037
Support Services:	
Pupils	997,613
Instructional Staff	729,014
Board of Education	70,596
Administration	1,019,860
Fiscal	426,025
Business	181,114
Operation and Maintenance of Plant	1,303,269
Pupil Transportation	49,974
Central	268,222
Operation of Non-Instructional Services	293,526
Extracurricular Activities	50,286
Interest	12,426
Total Expenses	13,124,962
 Change in Net Assets	 \$147,765

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The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 33.6 percent of revenues for governmental activities for Mid-East Ohio Vocational School District in fiscal year 2002.

The largest Governmental Activities program expense is vocational instruction, which comprises 37.8 percent of expenses. Interest expense during fiscal year 2002, was \$12,426 and was attributable to outstanding capital lease agreements and energy conservation notes.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons between fiscal year 2001 and 2002 is not possible due to the unavailability of fiscal year 2001 information.

Table 3  
Governmental Activities

	Total Cost of Services 2002	Net Cost of Services 2002
Instruction	\$7,723,037	\$4,003,274
Support Services:		
Pupil and Instructional Staff	1,726,627	1,098,967
Board of Education, Administration and Fiscal	1,516,481	1,419,369
Business	181,114	174,923
Operation and Maintenance of Plant	1,303,269	1,277,818
Pupil Transportation	49,974	49,400
Central	268,222	195,948
Operation of Non-Instructional Services	293,526	45,002
Extracurricular Activities	50,286	46,134
Interest	12,426	12,426
Total Governmental Activities	\$13,124,962	\$8,323,261

The dependence upon tax revenues for governmental activities is apparent. Over 51 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenue support is 63.8 percent. Property taxes are by far the primary support for Mid-East Ohio Vocational School District students.

Over the past several years the School District has remained in a stable financial position. The School District has tax revenues from Muskingum, Guernsey, Licking, Coshocton, and Noble Counties.

The School District has passed a resolution to have a building needs assessment completed by a private architect.

**Mid-East Ohio Vocational School District  
Management's Discussion and Analysis  
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Unaudited**

**The School District Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,119,548 and expenditures of \$12,983,645. The net change in fund balance before other financing sources and uses for the year was most significant in the general fund, an increase of \$821,341. This change in fund balance indicates that the School District has been consistent in meeting School District current obligations.

***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 funds are the general fund and adult education special revenue fund.

During the course of fiscal year 2002, the School District amended its general fund and adult education special revenue fund budgets, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenues were \$101,550 below final estimates of \$10,308,910. Of this difference, most was due to inflated estimates for intergovernmental and interest revenues and conservative tax estimates, based on County Auditor's Certification, and a property valuation increase.

The School District's ending unobligated general fund balance was \$1,020,296 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2002, the School District had \$4,969,353 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture, and fixtures. Table 4 shows fiscal year 2002 balances compared to 2001.

(Table 4)  
Capital Assets at June 30

	Governmental Activities	
	2002	2001
Land	\$333,075	\$333,075
Buildings and Improvements	3,922,618	3,957,743
Vehicles	105,697	83,141
Machinery, Equipment, Furniture and Fixtures	607,963	422,685
Totals	\$4,969,353	\$4,796,644

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

**Mid-East Ohio Vocational School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

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***Debt***

At June 30, 2002, the School District had \$328,822 in a building construction assistance loan with \$65,765 due in one year. Also, the School District had \$70,000 in energy conservation loans outstanding which is due in fiscal year 2003. Table 5 summarizes building construction assistance loan outstanding:

(Table 5)  
Outstanding Debt, at Year End

	Governmental Activities 2002	Governmental Activities 2001
Governmental Activities:		
1987 Building Construction Assistance Loan	\$328,822	\$394,587

The Building Construction Assistance Loan was used for construction projects at the Muskingum Perry and Guernsey Noble Career Centers and will be paid from the Permanent Improvement Capital Projects Fund. See note 17 and 18 for more detailed information about the School District's debt.

**Economic Factors**

Mid-East Ohio Vocational School District is financially stable. As the preceding information shows, the School District depends on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District will be able to maintain financial stability.

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 financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

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

This financial report is designed to provide our citizen's, taxpayers, 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 contact Richard L. White, Treasurer/CFO at Mid-East Ohio Vocational School District, 400 Richards Rd., Zanesville, Ohio 43701, or e-mail at [rwhite@mid-east.k12.oh.us](mailto:rwhite@mid-east.k12.oh.us).

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Mid-East Ohio Vocational School District, Ohio  
Statement of Net Assets  
June 30, 2002

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,589,075
Accounts Receivable	4,349
Intergovernmental Receivable	381,942
Materials and Supplies Inventory	72,959
Prepaid Items	36,104
Property Taxes Receivable	4,413,218
Payment in Lieu of Taxes Receivable	1,262
Nondepreciable Capital Assets	333,075
Depreciable Capital Assets, Net	4,636,278
Total Assets	18,468,262
 <b>Liabilities</b>	
Accounts Payable	132,005
Accrued Wages and Benefits Payable	901,325
Intergovernmental Payable	134,556
Accrued Interest Payable	342
Claims Payable	176,000
Deferred Revenue	3,066,499
Energy Conservation Notes Payable	70,000
Vacation Benefits Payable	65,384
Long-Term Liabilities:	
Due Within One Year	114,872
Due In More Than One Year	849,348
Total Liabilities	5,510,331
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,521,031
Restricted for:	
Capital Projects	2,700,388
Budget Stabilization	45,566
Other Purposes	1,199,420
Unrestricted	4,491,526
Total Net Assets	\$12,957,931

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2002

	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$1,072,679	\$29,951	\$1,757	\$0	(\$1,040,971)
Vocational	5,001,516	187,227	1,746,986	96,693	(2,970,610)
Adult/Continuing	1,648,842	785,611	871,538	0	8,307
Support Services:					
Pupils	997,613	19,654	148,530	0	(829,429)
Instructional Staff	729,014	143,484	315,992	0	(269,538)
Board of Education	70,596	1,637	110	0	(68,849)
Administration	1,019,860	21,452	12,570	0	(985,838)
Fiscal	426,025	38,161	23,182	0	(364,682)
Business	181,114	5,801	390	0	(174,923)
Operation and Maintenance of Plant	1,303,269	23,847	1,604	0	(1,277,818)
Pupil Transportation	49,974	538	36	0	(49,400)
Central	268,222	4,543	67,731	0	(195,948)
Operation of Non-Instructional Services	293,526	187,284	61,240	0	(45,002)
Extracurricular Activities	50,286	4,017	135	0	(46,134)
Interest	12,426	0	0	0	(12,426)
Total Governmental Activities	<u>\$13,124,962</u>	<u>\$1,453,207</u>	<u>\$3,251,801</u>	<u>\$96,693</u>	<u>(8,323,261)</u>
<b>General Revenues</b>					
					4,460,102
					1,262
					3,821,816
					141,392
					46,454
					<u>8,471,026</u>
					147,765
					<u>12,810,166</u>
					<u><u>\$12,957,931</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.



Mid-East Ohio Vocational School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2002

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$4,379,848	\$875,303	\$2,590,509	\$317,424	\$8,163,084
Materials and Supplies Inventory	63,355	0	0	9,604	72,959
Accounts Receivable	3,785	292	0	272	4,349
Intergovernmental Receivable	10,579	82,754	0	288,609	381,942
Interfund Receivable	152,191	0	0	0	152,191
Prepaid Items	32,659	1,756	0	1,689	36,104
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	45,566	0	0	0	45,566
Payment In Lieu of Taxes Receivable	1,262	0	0	0	1,262
Property Taxes Receivable	4,413,218	0	0	0	4,413,218
Total Assets	<u>\$9,102,463</u>	<u>\$960,105</u>	<u>\$2,590,509</u>	<u>\$617,598</u>	<u>\$13,270,675</u>
<b>Liabilities</b>					
Accounts Payable	\$112,412	\$854	\$0	\$18,739	\$132,005
Accrued Wages and Benefits Payable	754,877	50,843	0	95,605	901,325
Intergovernmental Payable	103,267	7,372	0	13,874	124,513
Accrued Interest Payable	342	0	0	0	342
Interfund Payable	0	0	0	152,191	152,191
Energy Conservation Notes Payable	70,000	0	0	0	70,000
Deferred Revenue	3,541,693	82,754	0	262,212	3,886,659
Total Liabilities	<u>4,582,591</u>	<u>141,823</u>	<u>0</u>	<u>542,621</u>	<u>5,267,035</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	175,649	7,668	491,595	60,605	735,517
Reserved for Unclaimed Monies	5,792	0	0	0	5,792
Reserved for Budget Stabilization	45,566	0	0	0	45,566
Reserved for Property Taxes	871,525	0	0	0	871,525
Unreserved:					
Designated:					
Designated for Budget Stabilization	128,102	0	0	0	128,102
Undesignated, Reported in:					
General Fund	3,293,238	0	0	0	3,293,238
Special Revenue Funds	0	810,614	0	(5,446)	805,168
Capital Projects Funds	0	0	2,098,914	19,818	2,118,732
Total Fund Balances	<u>4,519,872</u>	<u>818,282</u>	<u>2,590,509</u>	<u>74,977</u>	<u>8,003,640</u>
Total Liabilities and Fund Balances	<u>\$9,102,463</u>	<u>\$960,105</u>	<u>\$2,590,509</u>	<u>\$617,598</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,969,353
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	499,794
Grants	320,366
Total Other Long-Term Assets	820,160
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	204,425
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(10,043)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
School Loan Payable	(328,822)
Capital Leases Payable	(49,500)
Compensated Absences	(585,898)
Vacation Benefits Payable	(65,384)
Total Long-Term Liabilities	(1,029,604)
Net Assets of Governmental Activities	<u>\$12,957,931</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2002

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$4,493,431	\$0	\$0	\$0	\$4,493,431
Payment in Lieu of Taxes	1,262	0	0	0	1,262
Intergovernmental	5,064,174	484,775	0	1,422,805	6,971,754
Interest	95,706	0	39,449	1,284	136,439
Tuition and Fees	0	951,036	0	97,309	1,048,345
Rentals	614	0	0	0	614
Charges for Services	217,586	0	0	187,276	404,862
Miscellaneous	49,780	0	0	13,061	62,841
Total Revenues	<u>9,922,553</u>	<u>1,435,811</u>	<u>39,449</u>	<u>1,721,735</u>	<u>13,119,548</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	1,023,864	0	0	6,509	1,030,373
Vocational	4,115,181	0	0	710,015	4,825,196
Adult/Continuing	4,726	1,203,316	0	402,239	1,610,281
Support Services:					
Pupils	789,066	0	0	145,063	934,129
Instructional Staff	259,738	196,628	0	241,987	698,353
Board of Education	69,889	0	0	0	69,889
Administration	873,373	0	0	10,908	884,281
Fiscal	424,377	43,704	0	0	468,081
Business	247,256	0	0	0	247,256
Operation and Maintenance of Plant	1,007,155	0	263,941	0	1,271,096
Pupil Transportation	27,007	0	0	0	27,007
Central	191,634	0	0	68,668	260,302
Operation of Non-Instructional Services	351	0	0	282,175	282,526
Extracurricular Activities	46,901	0	0	3,385	50,286
Capital Outlay	0	0	238,130	0	238,130
Debt Service:					
Principal Retirement	8,268	0	65,765	0	74,033
Interest and Fiscal Charges	12,426	0	0	0	12,426
Total Expenditures	<u>9,101,212</u>	<u>1,443,648</u>	<u>567,836</u>	<u>1,870,949</u>	<u>12,983,645</u>
Excess of Revenues Over (Under) Expenditures	<u>821,341</u>	<u>(7,837)</u>	<u>(528,387)</u>	<u>(149,214)</u>	<u>135,903</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	54,830	0	0	0	54,830
Transfers In	0	245,000	865,765	45,895	1,156,660
Transfers Out	(1,156,660)	0	0	0	(1,156,660)
Total Other Financing Sources (Uses)	<u>(1,101,830)</u>	<u>245,000</u>	<u>865,765</u>	<u>45,895</u>	<u>54,830</u>
Net Change in Fund Balances	(280,489)	237,163	337,378	(103,319)	190,733
Fund Balances Beginning of Year (Restated - Note 3)	<u>4,800,361</u>	<u>581,119</u>	<u>2,253,131</u>	<u>178,296</u>	<u>7,812,907</u>
Fund Balances End of Year	<u>\$4,519,872</u>	<u>\$818,282</u>	<u>\$2,590,509</u>	<u>\$74,977</u>	<u>\$8,003,640</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
 Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2002

Net Change in Fund Balances - Total Governmental Funds \$190,733

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 depreciation exceeded capital outlay in the current period:

	Capital Asset Additions	503,229	
	Current Year Depreciation	<u>(297,273)</u>	205,956

Governmental funds only report the disposal of capital assets to the extent proceeds are received. In the statement of activities, a loss has been reported which represents the net carrying value of the assets with no amount being received from the disposal.

(33,247)

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

	Grants	180,271	
	Delinquent Property Taxes	<u>(33,329)</u>	146,942

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

65,765

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net assets.

8,268

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(54,830)

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:

	Compensated Absences	(148,303)	
	Vacation Benefits	(7,705)	
	Pension Obligation	<u>(1,297)</u>	(157,305)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net expense of the internal service fund is reported with governmental activities.

(224,517)

Change in Net Assets of Governmental Activities

\$147,765

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$4,524,419	\$4,553,709	\$4,753,728	\$200,019
Intergovernmental	4,932,712	5,225,255	5,064,422	(160,833)
Interest	0	200,000	95,231	(104,769)
Charges for Services	281,150	253,950	250,086	(3,864)
Rentals	0	1,000	614	(386)
Miscellaneous	1,000	74,996	43,279	(31,717)
<b>Total Revenues</b>	9,739,281	10,308,910	10,207,360	(101,550)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	1,132,572	1,164,759	999,929	164,830
Vocational	4,754,772	4,298,985	4,099,682	199,303
Adult/Continuing	10,296	23,115	9,846	13,269
Support Services:				
Pupils	926,650	895,628	845,180	50,448
Instructional Staff	308,883	289,793	260,257	29,536
Board of Education	82,369	83,670	76,713	6,957
Administration	926,650	999,987	873,221	126,766
Fiscal	514,805	419,887	433,670	(13,783)
Business	205,922	280,630	207,961	72,669
Operation and Maintenance of Plant	1,132,572	1,385,590	1,044,962	340,628
Pupil Transportation	30,888	35,730	28,665	7,065
Central	205,922	215,926	189,024	26,902
Operation of Non-Instructional Services	1,000	1,000	351	649
Extracurricular Activities	51,481	17,400	46,940	(29,540)
Debt Service:				
Principal Retirement	9,266	8,268	8,268	0
Interest and Fiscal Charges	2,059	2,489	2,489	0
<b>Total Expenditures</b>	10,296,107	10,122,857	9,127,158	995,699
<b>Excess of Revenues Over Expenditures</b>	(556,826)	186,053	1,080,202	894,149
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	0	0	3,771	3,771
Advances In	0	0	102,190	102,190
Advances Out	0	(152,191)	(152,191)	0
Transfers Out	0	(1,176,846)	(1,156,660)	20,186
<b>Total Other Financing Sources (Uses)</b>	0	(1,329,037)	(1,202,890)	126,147
<b>Net Change in Fund Balance</b>	(556,826)	(1,142,984)	(122,688)	1,020,296
Fund Balance Beginning of Year	4,207,733	4,207,733	4,207,733	0
Prior Year Encumbrances Appropriated	51,358	51,358	51,358	0
<b>Fund Balance End of Year</b>	\$3,702,265	\$3,116,107	\$4,136,403	\$1,020,296

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Adult Education  
For the Fiscal Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$510,000	\$608,463	\$484,775	(\$123,688)
Tuition and Fees	990,000	1,195,580	990,657	(204,923)
<b>Total Revenues</b>	<b>1,500,000</b>	<b>1,804,043</b>	<b>1,475,432</b>	<b>(328,611)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Adult/Continuing	1,446,713	1,497,928	1,194,340	303,588
Support Services:				
Instructional Staff	221,262	221,840	196,679	25,161
Fiscal	34,040	48,200	42,721	5,479
<b>Total Expenditures</b>	<b>1,702,015</b>	<b>1,767,968</b>	<b>1,433,740</b>	<b>334,228</b>
Excess of Revenues Over Expenditures	(202,015)	36,075	41,692	5,617
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	245,000	245,000	0
Refund of Prior Year Receipts	0	0	(3,195)	(3,195)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>245,000</b>	<b>241,805</b>	<b>(3,195)</b>
Net Change in Fund Balance	(202,015)	281,075	283,497	2,422
Fund Balance Beginning of Year	575,838	575,838	575,838	0
Prior Year Encumbrances Appropriated	3,225	3,225	3,225	0
<b>Fund Balance End of Year</b>	<b>\$377,048</b>	<b>\$860,138</b>	<b>\$862,560</b>	<b>\$2,422</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Fund Net Assets  
Health Self-Insurance Internal Service Fund  
June 30, 2002

**Current Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$380,425</u>
--------------------------------------------	------------------

Total Assets	<u>380,425</u>
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**Current Liabilities**

Claims Payable	<u>176,000</u>
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Total Liabilities	<u>176,000</u>
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**Net Assets**

Unrestricted	<u>204,425</u>
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Total Net Assets	<u><u>\$204,425</u></u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Health Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2002

<b>Operating Revenues</b>	
Charges for Services	<u>\$960,482</u>
<b>Operating Expenses</b>	
Purchased Services	156,395
Claims	<u>1,034,841</u>
Total Operating Expenses	<u>1,191,236</u>
Operating Loss	(230,754)
<b>Non-Operating Revenues</b>	
Interest	<u>6,237</u>
Change in Net Assets	(224,517)
Net Assets Beginning of Year	<u>428,942</u>
Net Assets End of Year	<u><u>\$204,425</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Cash Flows  
Health Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2002

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

**Cash Flows from Operating Activities**

Cash Received from Transactions with Other Funds	\$960,482
Cash Payments for Goods and Services	(156,395)
Cash Payments for Claims	<u>(962,873)</u>
Net Cash Used for Operating Activities	(158,786)

**Cash Flows from Investing Activities**

Interest on Investments	<u>6,318</u>
Net Decrease in Cash and Cash Equivalents	(152,468)

Cash and Cash Equivalents Beginning of Year	<u>532,893</u>
Cash and Cash Equivalents End of Year	<u><u>\$380,425</u></u>

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

Operating Loss	(\$230,754)
Increase in Claims Payable	<u>71,968</u>
Net Cash Used for Operating Activities	<u><u>(\$158,786)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.



Mid-East Ohio Vocational School District, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2002

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$0	\$34,492
Cash and Cash Equivalents in Segregated Accounts	0	37,783
Investments	333,107	0
Total Assets	333,107	72,275
<b>Liabilities</b>		
Due to Other Governments	0	37,783
Due to Students	0	34,492
Total Liabilities	0	\$72,275
<b>Net Assets</b>		
Held in Trust for Students	\$333,107	

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2002

	Private Purpose Trust
<b>Additions</b>	
Interest	\$1,428
Decrease in Fair Market Value of Investments	(76,375)
Total Additions	(74,947)
<b>Deductions</b>	
Non-Instructional Services	2,006
Change in Net Assets	(76,953)
Net Assets Beginning of Year	410,060
Net Assets End of Year	\$333,107

The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

On April 12, 1965, the State of Ohio Board of Education approved the creation of the Muskingum Area Joint Vocational School District. In 1985, the School District name was changed to the Mid-East Ohio Vocational School District. The School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school.

The School District includes thirteen member schools as follows: Caldwell Exempted Village School District, Cambridge City School District, Crooksville Exempted Village School District, East Guernsey Local School District, East Muskingum Local School District, Franklin Local School District, Maysville Local School District, Noble Local School District, Northern Local School District, Rolling Hills Local School District, Tri-Valley Local School District, West Muskingum Local School District, and Zanesville City School District. The School District is staffed by seventy-two classified employees and ninety-seven certified teaching personnel who provide services to eight hundred twelve students and other community members. The School District currently operates seven instructional buildings on two campuses.

The School District operates under a thirteen member appointed Board of Education and is responsible for the provision of public education to residents of the School District. The Board consists of one member from the Boards of Education of each of the above districts, with the exception of Northern Local School District's representative, who is appointed from the Perry County Board of Education. The above districts cannot directly impose their will on the School District and therefore, the School District is a jointly governed organization of the above districts.

*Reporting Entity*

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to insure that the 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 Mid-East Ohio Vocational 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. The School District has no component units.

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), which is defined as a jointly governed organization; and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, which are defined as group insurance purchasing pools. Additional information concerning these organizations is presented in Note 19.

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

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

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

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The 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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

### ***B. Fund Accounting***

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

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**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 three major governmental funds:

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

**Adult Education** The adult education special revenue fund accounts for all transactions made in connection with adult education classes.

**Permanent Improvement** The permanent improvement capital project fund accounts for the transactions related to the acquiring, construction, or improving of permanent improvements within the School District.

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 enterprise funds.

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

**Fiduciary Fund Types** 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's private purpose trust fund accounts for scholarships paid to students in connection with the nursing program. 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 student activities, pell grants and undistributed payroll withholdings.

### **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.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

***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.

***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.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Also, delinquent property taxes receivable have been shown as deferred revenue on the modified accrual basis and as property tax revenue on the accrual basis. 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, including the proprietary fund, 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 2002, the School District's investments were limited to certificates of deposit, stocks, repurchase agreements, sweep accounts, and STAROhio. Certificates of deposit and repurchase agreements 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, 2002. Stock investments of the Rogge Trust Scholarship Private Purpose Trust Fund are stated at market.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Based upon Board policy, the District distributes interest to the General Fund, Permanent Improvement Capital Projects Fund, Fox Scholarship Special Revenue Fund, Food Service Special Revenue Fund, and Rogge Trust Scholarship Private Purpose Trust Fund. Self-Insurance accounts receive interest from their individual bank accounts. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$95,706, which includes \$14,419 assigned from other School District funds.

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

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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 expense/expenditure 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 expensed when used.

Inventories consist of expendable supplies held for consumption and donated food 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. 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. 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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	50 Years
Vehicles	5-10 Years
Machinery, Equipment, Furniture and Fixtures	8-25 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.



Mid-East Ohio Vocational School District, Ohio  
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***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable" as the balances are to be used by employees within the year earned.

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 after ten years of current service with the School District and who are within ten years of retirement.

***K. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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. Bonds, school loans and leases are recognized as a liability on the governmental fund financial statements when due.

***L. 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.

***M. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization. See Note 21 for additional information regarding set asides.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
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***N. Fund Balance Reserves and Designations***

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, budget stabilization, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. 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 budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The School District has a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

***O. Net Assets***

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

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

***P. Operating Revenues and Expenses***

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

***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.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
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***S. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. 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 prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Note 3 - Changes in Accounting Principles and Restatement of Fund Balances**

***Changes in Accounting Principles*** For fiscal year 2002, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the accrual basis of accounting.

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GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements. GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**Restatement of Fund Balances** The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

The restatement from governmental fund balance to net assets of governmental activities is also included:

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Activities
Fund Balance June 30, 2001	\$4,778,695	\$577,816	\$2,253,131	\$174,530	\$7,784,172
GASB Statement No. 6 Adjustment:					
Compensated Absences Payable	21,666	3,303	0	3,766	28,735
Adjusted Fund Balance	<u>\$4,800,361</u>	<u>\$581,119</u>	<u>\$2,253,131</u>	<u>\$178,296</u>	<u>7,812,907</u>
GASB Statement No. 34 Adjustments:					
Intergovernmental Receivable					140,095
Property Taxes Receivable					533,123
Capital Assets					4,796,644
Intergovernmental Payable					(8,746)
Vacation Benefits Payable					(57,679)
Compensated Absences Payable					(437,595)
School Loan Payable					(394,587)
Capital Leases Payable					(2,938)
Internal Service Fund					<u>428,942</u>
Governmental Activities Net Assets at June 30, 2001					<u>\$12,810,166</u>

**Note 4 – Accountability**

At June 30, 2002, the Vocational Education and Miscellaneous Federal Grants Special Revenue Funds had fund deficits in the amounts of \$39,410, and \$36,399, respectively. These deficits 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.

Mid-East Ohio Vocational School District, Ohio  
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**Note 5 - Budgetary Basis of Accounting**

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

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	(\$280,489)	\$237,163
Net Adjustment for Revenue Accruals	235,145	43,842
Unrecorded Cash	(1,397)	(4,221)
Prepaid Items	2,535	1,233
Net Adjustment for Expenditure Accruals	259,133	14,002
Advances In	102,190	0
Advances Out	(152,191)	0
Encumbrances	(287,614)	(8,522)
Budget Basis	(\$122,688)	\$283,497

Mid-East Ohio Vocational School District, Ohio  
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## **Note 6 - Deposits and Investments**

State statutes classify monies held by the School District 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.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may 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 payment of 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, 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 securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
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7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Unrecorded Cash** At fiscal year end, the School District had \$5,645 in unrecorded cash which is included on the balance sheet/statement of net assets of the School District as part of "Cash and Cash Equivalents".

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$7,545,008 and the bank balance was \$7,778,446. Of the bank balance:

1. \$5,173,987 was covered by federal deposit insurance or insured by securities held by the School District in the School District's name;
2. \$2,604,459 was uninsured and uncollateralized. Although all State 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; and

**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District investments in STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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Investments	Category 1	Category 2	Category 3	Carrying Value	Market Value
Repurchase Agreements	\$0	\$0	\$996,603	\$996,603	\$996,603
Massachusetts Investment Trust Stocks	333,107	0	0	333,107	333,107
STAROhio				114,094	114,094
Totals				<u>\$1,443,804</u>	<u>\$1,443,804</u>

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash	
	<u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$8,661,350	\$333,107
Unrecorded Cash	(5,645)	0
Investments:		
Repurchase Agreements	(996,603)	996,603
STAROhio	(114,094)	114,094
GASB Statement 3	<u>\$7,545,008</u>	<u>\$1,443,804</u>

**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 (used in business) property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2002 taxes were collected are:



Mid-East Ohio Vocational School District, Ohio  
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	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,657,763,240	77.71%	\$1,522,614,930	79.16%
Public Utility Personal	223,792,720	10.49%	145,042,640	7.54%
Tangible Personal Property	251,812,239	11.80%	255,862,313	13.30%
Total	<u>\$2,133,368,199</u>	<u>100.00%</u>	<u>\$1,923,519,883</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.20		\$3.20	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Mid-East Ohio Vocational School District. The County Auditor periodically remits to the School District its portion of taxes. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, manufactured home taxes, the late settlement of personal property, personal property and public utility taxes which are measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available to the School District as an advance at June 30 is recognized as revenue.

At June 30, 2002, \$871,525 was available as an advance to the General Fund. The amount available as an advance at June 30, 2001, was \$1,277,455 in the General 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 is deferred.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 8 - Receivables**

Receivables at June 30, 2002, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities:</b>	
Adult Education Grant	\$82,754
ABLE Grant	144,675
Vocational Education Grant	61,188
State Funded Capital Projects	82,746
Miscellaneous Reimbursements	<u>10,579</u>
Total	<u><u>\$381,942</u></u>

**Note 9 - Interfund Balances**

At June 30, 2002, the General Fund had an interfund receivable from the Vocational Education and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$77,191 and \$75,000, respectively, on the balance sheet. These transactions are the result of interfund loans used to provide cash flow resources until the receipt of grant monies.

Mid-East Ohio Vocational School District, Ohio  
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**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance June 30, 2001	Additions	Deletions	Balance June 30, 2002
<b>Nondepreciable Capital Assets</b>				
Land	\$333,075	\$0	\$0	\$333,075
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	9,398,129	152,837	0	9,550,966
Vehicles	216,296	48,490	0	264,786
Machinery, Equipment, Furniture and Fixtures	1,183,645	301,902	(71,642)	1,413,905
Total Capital Assets Being Depreciated	<u>10,798,070</u>	<u>503,229</u>	<u>(71,642)</u>	<u>11,229,657</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,440,386)	(187,962)	0	(5,628,348)
Vehicles	(133,155)	(25,934)	0	(159,089)
Machinery, Equipment, Furniture, and Fixtures	(760,960)	(83,377)	38,395	(805,942)
Total Accumulated Depreciation	<u>(6,334,501)</u>	<u>(297,273) *</u>	<u>38,395</u>	<u>(6,593,379)</u>
Total Capital Assets Being Depreciated, Net	<u>4,463,569</u>	<u>205,956</u>	<u>(33,247)</u>	<u>4,636,278</u>
Governmental Activities Capital Assets, Net	<u>\$4,796,644</u>	<u>\$205,956</u>	<u>(\$33,247)</u>	<u>\$4,969,353</u>

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

Instruction:	
Regular	\$13,234
Vocational	136,985
Adult/Continuing	17,147
Support Services:	
Pupils	4,024
Instructional Staff	3,968
Board of Education	1,069
Administration	30,797
Fiscal	3,313
Business	10,930
Operation and Maintenance of Plant	38,574
Pupil Transportation	27,130
Central	451
Non-Instructional Services	9,651
Total Governmental Depreciation	<u>\$297,273</u>

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**Note 11 - Interfund Transfers**

During fiscal year 2002, the General Fund made transfers to other governmental funds, in the amount of \$1,156,660, to subsidize various programs in other funds.

	Transfer In	Transfer Out
Major Funds:		
General Fund	\$0	\$1,156,660
Permanent Improvement Capital Projects Fund	865,765	0
Other Governmental Funds:		
Special Revenue Funds:		
Adult Education	245,000	0
Food Service	36,000	0
Miscellaneous Federal Funds	1,487	0
Vocational Education	8,408	0
Total Special Revenue Funds	290,895	0
Total All Funds	\$1,156,660	\$1,156,660

**Note 12 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District purchased the following coverage:

<u>Young Insurance Agency, Inc.</u>		
Fleet Insurance:		
Liability	\$1,000,000	each accident
Auto Medical Payments	\$3,000	
Uninsured Motorists	\$2,000,000	
Garagekeepers Comprehensive	\$60,000	each auto
Garagekeepers Collision	\$60,000	each auto
Physical Damage Comprehensive		actual cash value
Physical Damage Collision		actual cash value
Inland Marine	\$308,070	\$1,000 deductible
Building and personal property	\$24,895,128	Blanket
Builders' Risk	\$30,000	
Boiler and Machinery Policy	\$20,000,000	\$1,000 deductible
<u>Ohio Casualty Insurance Company</u>		
Treasurer's Bond	\$100,000	
Board President's Bond	\$100,000	
Superintendent's Bond	\$100,000	

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During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 19)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Fire Damage Limit - Any One Event	500,000
Medical Expense Limit	10,000
Excess Liability Policy	3,000,000
Employees' Liability:	
Each Offense	1,000,000
Employers' Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Educational Legal Liability:	
Per Claim	1,000,000
Annual Aggregate	2,000,000

Settled claims have not exceeded their commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from the prior year.

***B. Worker's Compensation***

For fiscal year 2002, the School District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), a group insurance purchasing pool (Note 19). 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 workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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. 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.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**C. Medical/Surgical, Dental, and Prescription Drug Insurances**

Health and dental coverage is provided through a self-insurance internal service fund, administered by Central Benefits. The School District pays into the health self-insurance internal service fund \$589.50 for family coverage (90% of required premium) or \$208.80 for individual coverage (90% of required premium) per month for employees. The School District pays into the dental self-insurance internal service fund \$42.30 for family and single coverage (90% of required premium) for employees. These premiums are paid by the fund that pays the salary for the employee and is based on historical cost information. The claims liability of \$176,000 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$50,000.

Changes in the fund's claims liability amount in 2001 and 2002 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$132,440	\$605,974	\$634,382	\$104,032
2002	104,032	1,034,841	962,873	176,000

**Note 13 - 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 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment for up to one year's accrual plus 5 days. Administrators and teachers who work less than 260 days per year do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 250 days for certified employees and up to 220 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation up to 30 days.

**B. Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to employees through Anthem Life Insurance Company in the amount of \$45,000 for all employees.

**Note 14 - 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the 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, 2002, 2001, and 2000 were \$83,128, \$82,283 and \$72,557 respectively; 92 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$7,448 representing the unpaid contribution for fiscal year 2002 is reflected as an intergovernmental payable.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was also 9.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$354,294, \$318,311 and \$291,583, respectively; 82 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$63,518 representing the unpaid contribution for fiscal year 2002, is reflected as an intergovernmental payable.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, there are five employees who have elected Social Security.

**Note 15 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$167,823 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.



Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, an increase of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$140,064.

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, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**Note 16 – Capital Leases – Lessee Disclosure**

The School District has entered into capitalized leases for three copying machines. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the General Fund. Principal payments in fiscal year 2002 totaled \$8,268 in the General Fund.

The copiers were initially capitalized in the amount of \$54,830, the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Since the copiers were acquired, the School District has recorded depreciation on the copiers of \$5,483, for a carrying value at June 30, 2002 of \$49,347.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002:

Fiscal Year Ending June 30,	Governmental Activities
2003	\$13,344
2004	13,344
2005	13,344
2006	13,344
2007	13,344
Subtotal	66,720
Less Amount Representing Interest	(17,220)
Present Value of Net Minimum Lease Payments	\$49,500

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**Note 17 - Long Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 06/30/01	Additions	Reductions	Outstanding 06/30/02	Due in One Year
<b>Governmental Activities:</b>					
1992 Building Construction					
Assistance Loan - Interest Free	\$394,587	\$0	(\$65,765)	\$328,822	\$65,765
Capital Leases Payable	2,938	54,830	(8,268)	49,500	9,731
Compensated Absences	495,275	157,702	(67,079)	585,898	39,376
Total Governmental Activities					
Long-Term Liabilities	<u>\$892,800</u>	<u>\$212,532</u>	<u>(\$141,112)</u>	<u>\$964,220</u>	<u>\$114,872</u>

The 1992 Building Construction Assistance Loan was used for construction projects at the Muskingum Perry and Guernsey Noble Career Centers and will be paid from the Permanent Improvement Capital Projects Fund. Capital lease obligations will be paid from the General Fund. The School District will pay compensated absences from the fund which employees are paid. These funds include General Fund, and Food Service, Adult Education, Miscellaneous Federal Grants, and Vocational Education Federal Grant Special Revenue Funds.

Principal requirements to retire the Building Construction Assistance Loan outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30	Principal
2003	\$65,765
2004	65,765
2005	65,765
2006	65,765
2007	65,762
Total	<u>\$328,822</u>

The overall debt margin of the School District as of June 30, 2002, was \$173,116,789, with an unvoted debt margin of \$1,923,520.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**Note 18 – Note Activity**

The changes in the School District’s note obligations during fiscal year 2002 were as follows:

	Outstanding 06/30/01	Additions	Reductions	Outstanding 06/30/02
<b>General Fund</b>				
Energy Conservation Notes:				
1996 - 6.3%	\$160,000	\$0	(\$105,000)	\$55,000
1993 - 5.675%	45,000	0	(30,000)	15,000
<b>Total Notes Outstanding</b>	<b>\$205,000</b>	<b>\$0</b>	<b>(\$135,000)</b>	<b>\$70,000</b>

The energy conservation notes are a liability of the General Fund and are being repaid by savings from energy conservation measures.

Principal and interest requirements to retire the notes outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$70,000	\$2,158	\$72,158

**Note 19 - Jointly Governed Organization and Insurance Purchasing Pools**

***A. Jointly Governed Organization***

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payments for computer services to OME-RESA in fiscal year 2002 was \$12,469. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

***B. Insurance Purchasing Pools***

***Ohio School Boards Association Workers' Compensation Group Rating Plan*** The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a group 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. The School District’s enrollment fee for fiscal year 2002 was \$2,600.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Ohio School Plan** The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Note 20 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2002.

**B. Litigation**

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

**Note 21 - Set-Asides**

The School District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the 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.

In previous fiscal years, the School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker's compensation refunds.

Qualifying disbursements in excess of current year set-aside requirements cannot be carried forward as an offset to future set-aside requirements for capital improvements, but can be carried forward for textbooks and other instructional materials. Certain items eligible to be used as offsets to capital improvement set-aside requirements can be carried forward to apply to requirements of future years.

Mid-East Ohio Vocational School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2001	\$45,566	\$0	\$0
Current Year Set-aside Requirement	0	95,502	95,502
Qualifying Disbursements	0	263,277	287,473
Current Year Requirement less Qualifying Disbursements	0	(167,775)	(191,971)
Beginning Carryover Offsets/Excess Disbursements	0	900,000	111,693
Current Year Offsets/Excess Disbursements	0	800,000	191,971
Total Available as Offsets/Excess Disbursements	0	1,700,000	303,664
Current Year Application of Offsets/Excess Disbursements	0	0	0
Offsets/Excess Disbursements to be Carried Forward to Future Years	0	1,700,000	303,664
Set-aside Reserve Balance as of June 30, 2002	\$45,566	\$0	\$0

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the textbook set-asides. The excess of disbursements over current year set-aside requirements for textbooks and instructional materials may be used to reduce the set-aside requirement of future fiscal years. The School District had sufficient offsets to apply to the current fiscal year capital improvements set-aside requirement where no set-aside was required and additional offsets will be carried to future years.

**Note 22 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**MID-EAST OHIO VOCATIONAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Cash Receipts</b>	<b>Noncash Receipts</b>	<b>Cash Disbursements</b>	<b>Noncash Disbursements</b>
<b><u>U.S. Department of Agriculture</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$	\$15,340	\$	\$17,893
National School Lunch Program	51300-LL-P4-01/02	10.555	42,420		42,420	
Total Nutrition Cluster			42,420	15,340	42,420	17,893
Child Care Food Program	51300-21-CP-01/02	10.558	13,345		13,345	
Total U.S. Department of Agriculture			55,765	15,340	55,765	17,893
<b><u>U.S. Department of Education</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic Education	51300-AB-S1-01/02	84.002	205,118		204,937	
Vocational Education Grant	51300-20-A0-01	84.048	22,440		10,458	
	51300-20-C1-00/01	84.048	540,378		513,951	
	51300-20-C2-00/01	84.048	139,976		120,580	
Total Vocational Education			702,794		644,989	
Eisenhower Professional Development State Grant	51300-MS-S1-01/02	84.281	2,356		1,200	
Innovative Programs, IASA Title VI	51300-C2-S1-01	84.298	9,846		4,917	
Tech Literacy Challenge	51300-TF-43-00	84.318			837	
<i>Direct from U.S. Department of Education:</i>						
Pell Grant	N/A	84.063	203,316		203,316	
Total U.S. Department of Education			1,123,430		1,060,196	
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,179,195</u></b>	<b><u>\$15,340</u></b>	<b><u>\$1,115,961</u></b>	<b><u>\$17,893</u></b>

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

**MID-EAST OHIO VOCATIONAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.





**Auditor of State  
Betty Montgomery**

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Mid-East Ohio Vocational School District  
Muskingum County  
400 Richards Road  
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 Mid-East Ohio Vocational School District, Muskingum County, Ohio (the District), as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements. and have issued our report thereon dated March 4, 2003, wherein we noted the District adopted Governmental Accounting Standards Board Statement Nos. 34, 37 and 38, and Interpretation No. 6. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated March 4, 2003.

Mid-East Ohio Vocational School District  
Muskingum County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 4, 2003



**Auditor of State  
Betty Montgomery**

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

Mid-East Ohio Vocational School District  
Muskingum County  
400 Richards Road  
Zanesville, Ohio 43701

To the Board of Education:

**Compliance**

We have audited the compliance of Mid-East Ohio Vocational School District, Muskingum County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control over Compliance**

The management of the District 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 4, 2003

**MID-EAST OHIO VOCATIONAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Vocational Education Grant – CFDA #84.048
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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**MID-EAST OHIO VOCATIONAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2003**