



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

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Mid East Ohio Vocational School District
Muskingum County
400 Richards Road
Zanesville, Ohio 43701-4645

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Mid East Ohio Vocational School District, Muskingum County, Ohio (the School District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mid East Ohio Vocational School District, Muskingum County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the fiscal year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, during 1999 the School District changed its method of accounting for its deferred compensation plan.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Jim Petro
Auditor of State

February 24, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30,1999**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets:			
Cash and Cash Equivalents	\$2,135,212	\$417,785	\$932,208
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Investments	1,000,000	0	500,000
Receivables:			
Property Taxes	4,192,345	0	0
Accounts	3,063	18,813	0
Intergovernmental	67,929	211,065	0
Accrued Interest	10,343	0	5,136
Interfund Receivable	234,076	0	0
Materials and Supplies Inventory	82,936	8,220	0
Prepaid Items	36,553	3,178	2,068
Restricted Assets:			
Cash and Cash Equivalents	106,550	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$7,869,007	\$659,061	\$1,439,412

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

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Internal Service</u>	<u>Trust and Agency</u>			
\$0	\$111,079	\$0	\$0	3,596,284
520,022	0	0	0	520,022
0	440,983	0	0	1,940,983
0	0	0	0	4,192,345
0	0	0	0	21,876
0	0	0	0	278,994
0	0	0	0	15,479
0	0	0	0	234,076
0	0	0	0	91,156
0	0	0	0	41,799
0	0	0	0	106,550
0	0	12,783,209	0	12,783,209
0	0	0	993,666	993,666
<u>\$520,022</u>	<u>\$552,062</u>	<u>\$12,783,209</u>	<u>\$993,666</u>	<u>\$24,816,439</u>

(Continued)

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30,1999**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$8,595	\$2,059	\$0
Accrued Salaries and Benefits Payable	498,655	73,351	0
Compensated Absences Payable	15,735	5,815	0
Interfund Payable	0	234,076	0
Intergovernmental Payable	80,715	15,093	0
Deferred Revenue	3,065,513	99,602	0
Due to Students	0	0	0
Accrued Interest Payable	2,258	0	0
Claims Payable	0	0	0
Capital Leases Payable	0	0	0
School Facilities Loan Payable	0	0	0
Energy Conservation Loan Payable	445,000	0	0
Total Liabilities	<u>4,116,471</u>	<u>429,996</u>	<u>0</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balances:			
Reserved for Encumbrances	5,413	1,578	0
Reserved for Inventory	82,936	8,220	0
Reserved for Budget Stabilization	106,550	0	0
Reserved for Unclaimed Monies	4,381	0	0
Reserved for Property Taxes	1,152,228	0	0
Reserved for Endowment	0	0	0
Unreserved, Undesignated	2,401,028	219,267	1,439,412
Total Fund Equity and Other Credits	<u>3,752,536</u>	<u>229,065</u>	<u>1,439,412</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,869,007</u>	<u>\$659,061</u>	<u>\$1,439,412</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$0	\$0	\$0	\$0	\$10,654
0	0	0	0	572,006
0	0	0	407,384	428,934
0	0	0	0	234,076
0	0	0	16,343	112,151
0	0	0	0	3,165,115
0	30,357	0	0	30,357
0	0	0	0	2,258
50,815	0	0	0	50,815
0	0	0	43,822	43,822
0	0	0	526,117	526,117
0	0	0	0	445,000
<u>50,815</u>	<u>30,357</u>	<u>0</u>	<u>993,666</u>	<u>5,621,305</u>
0	0	12,783,209	0	12,783,209
469,207	0	0	0	469,207
0	0	0	0	6,991
0	0	0	0	91,156
0	0	0	0	106,550
0	0	0	0	4,381
0	0	0	0	1,152,228
0	440,983	0	0	440,983
0	80,722	0	0	4,140,429
<u>469,207</u>	<u>521,705</u>	<u>12,783,209</u>	<u>0</u>	<u>19,195,134</u>
<u>\$520,022</u>	<u>\$552,062</u>	<u>\$12,783,209</u>	<u>\$993,666</u>	<u>\$24,816,439</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Property Taxes	\$3,855,085	\$0	\$0
Intergovernmental	3,430,323	1,994,724	70,781
Interest	210,956	0	57,000
Tuition and Fees	4,491	734,713	0
Rent	863	0	0
Customer Services	204,140	0	0
Miscellaneous	18,798	195,364	17,464
Total Revenues	7,724,656	2,924,801	145,245
Expenditures:			
Current:			
Instruction:			
Regular	757,888	128,542	0
Adult Continuing	4,032	1,241,344	0
Vocational	3,048,112	671,402	0
Other	0	0	0
Support Services:			
Pupils	388,608	142,554	0
Instructional Staff	155,444	568,511	0
Board of Education	48,192	0	0
Administration	710,972	26,996	0
Fiscal	437,383	42,573	0
Business	100,121	0	0
Operation and Maintenance of Plant	873,406	0	0
Pupil Transportation	22,616	0	0
Central	11,460	108,104	0
Non-Instructional Services	56	221,000	0
Extracurricular Activities	2,916	840	0
Capital Outlay	24,999	118,737	392,315
Debt Service:			
Debt Service - Principal	17,864	0	65,765
Debt Service - Interest	36,426	0	0
Total Expenditures	6,640,495	3,270,603	458,080
Excess of Revenues Over (Under) Expenditures	1,084,161	(345,802)	(312,835)
Other Financing Sources (Uses):			
Operating Transfers In	0	257,908	465,765
Sale and Loss of Assets	0	0	24,830
Operating Transfers Out	(723,673)	0	0
Total Other Financing Sources (Uses)	(723,673)	257,908	490,595
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	360,488	(87,894)	177,760
Fund Balances at Beginning of Year	3,376,728	315,433	1,261,652
Decrease in Reserve for Inventory	15,320	1,526	0
Fund Balances at End of Year	\$3,752,536	\$229,065	\$1,439,412

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

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$0	\$3,855,085
0	5,495,828
4,503	272,459
0	739,204
0	863
0	204,140
137	231,763
4,640	10,799,342
0	886,430
0	1,245,376
0	3,719,514
6,812	6,812
0	531,162
0	723,955
0	48,192
0	737,968
0	479,956
0	100,121
0	873,406
0	22,616
0	119,564
0	221,056
0	3,756
0	536,051
0	83,629
0	36,426
6,812	10,375,990
(2,172)	423,352
0	723,673
0	24,830
0	(723,673)
0	24,830
(2,172)	448,182
79,440	5,033,253
0	16,846
\$77,268	\$5,498,281

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$3,842,275	\$3,676,516	(\$165,759)
Intergovernmental	2,953,455	3,387,790	434,335
Interest	140,000	200,785	60,785
Tuition and Fees	4,498	4,491	(7)
Customer Service	166,000	204,140	38,140
Rent	2,000	1,397	(603)
Miscellaneous	20,630	16,838	(3,792)
Total Revenues	7,128,858	7,491,957	363,099
Expenditures:			
Current:			
Instruction:			
Regular	838,825	753,155	85,670
Adult Continuing	5,061	4,046	1,015
Vocational	3,193,112	3,002,070	191,042
Other	0	0	0
Support Services:			
Pupils	420,824	385,774	35,050
Instructional Staff	191,592	151,015	40,577
Board of Education	97,150	49,125	48,025
Administration	707,364	711,940	(4,576)
Fiscal	427,021	438,194	(11,173)
Business	301,267	99,698	201,569
Operation and Maintenance of Plant	1,020,338	874,146	146,192
Pupil Transportation	73,846	23,583	50,263
Central	6,000	16,235	(10,235)
Non-Instructional Services	400	56	344
Extracurricular Activities	2,876	2,915	(39)
Capital Outlay	24,999	24,999	0
Debt Service:			
Principal Retirement	17,864	17,864	0
Interest and Fiscal Charges	4,409	4,409	0
Total Expenditures	7,332,948	6,559,224	773,724
Excess of Revenues Over (Under) Expenditures	(204,090)	932,733	1,136,823
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Advances In	0	66,488	66,488
Proceeds from Sale of Fixed Assets	0	0	0
Other Financing Sources	0	533	533
Refund of a Prior Year Receipt	0	0	0
Refund of a Prior Year Expenditure	0	0	0
Advances Out	0	(234,075)	(234,075)
Operating Transfers Out	(509,581)	(723,673)	(214,092)
Total Other Financing Sources (Uses)	(509,581)	(890,727)	(381,146)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(713,671)	42,006	755,677
Fund Balances at July 1	3,138,132	3,138,132	0
Prior Year Encumbrances Appropriated	55,116	55,116	0
Fund Balances at June 30	\$2,479,577	\$3,235,254	\$755,677

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

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$142,576	\$142,576	\$0
2,189,693	2,050,275	(139,418)	0	0	0
0	0	0	0	0	0
786,470	804,983	18,513	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,224	2,209	(15)	0	0	0
<u>2,978,387</u>	<u>2,857,467</u>	<u>(120,920)</u>	<u>142,576</u>	<u>142,576</u>	<u>0</u>
115,458	128,625	(13,167)	0	0	0
1,366,702	1,251,338	115,364	0	0	0
738,483	670,498	67,985	0	0	0
0	0	0	0	0	0
154,840	145,548	9,292	0	0	0
499,631	454,921	44,710	0	0	0
0	0	0	0	0	0
28,572	26,953	1,619	0	0	0
42,370	40,981	1,389	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
120,793	109,778	11,015	0	0	0
227,776	220,523	7,253	0	0	0
2,000	840	1,160	0	0	0
88,803	118,737	(29,934)	0	0	0
0	0	0	110,000	110,000	0
0	0	0	<u>32,576</u>	<u>32,576</u>	<u>0</u>
<u>3,385,428</u>	<u>3,168,742</u>	<u>216,686</u>	<u>142,576</u>	<u>142,576</u>	<u>0</u>
<u>(407,041)</u>	<u>(311,275)</u>	<u>95,766</u>	<u>0</u>	<u>0</u>	<u>0</u>
257,908	257,908	0	0	0	0
0	234,075	234,075	0	0	0
0	0	0	0	0	0
158,600	167,976	9,376	0	0	0
(110,927)	(110,327)	600	0	0	0
25,179	25,179	0	0	0	0
0	(66,488)	(66,488)	0	0	0
0	0	0	0	0	0
<u>330,760</u>	<u>508,323</u>	<u>177,563</u>	<u>0</u>	<u>0</u>	<u>0</u>
(76,281)	197,048	273,329	0	0	0
210,132	210,132	0	0	0	0
7,569	7,569	0	0	0	0
<u>\$141,420</u>	<u>\$414,749</u>	<u>\$273,329</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property Taxes	\$0	\$0	\$0
Intergovernmental	70,781	70,780	(1)
Interest	80,000	51,864	(28,136)
Tuition and Fees	0	0	0
Customer Service	0	0	0
Rent	0	0	0
Miscellaneous	0	17,464	17,464
Total Revenues	<u>150,781</u>	<u>140,108</u>	<u>(10,673)</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	0	0
Adult Continuing	25,808	0	25,808
Vocational	(12,362)	0	(12,362)
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	448,939	392,256	56,683
Debt Service:			
Principal Retirement	65,766	65,765	1
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>528,151</u>	<u>458,021</u>	<u>70,130</u>
Excess of Revenues Over (Under) Expenditures	<u>(377,370)</u>	<u>(317,913)</u>	<u>59,457</u>
Other Financing Sources (Uses):			
Operating Transfers In	435,766	465,765	29,999
Advances In	0	0	0
Proceeds from Sale of Fixed Assets	16,124	24,830	8,706
Other Financing Sources	0	0	0
Refund of a Prior Year Receipt	0	0	0
Refund of a Prior Year Expenditure	0	0	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>451,890</u>	<u>490,595</u>	<u>38,705</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Us	<u>74,520</u>	<u>172,682</u>	<u>98,162</u>
Fund Balances at July 1	<u>1,247,142</u>	<u>1,247,142</u>	<u>0</u>
Prior Year Encumbrances Appropriate	<u>12,384</u>	<u>12,384</u>	<u>0</u>
Fund Balances at June 30	<u>\$1,334,046</u>	<u>\$1,432,208</u>	<u>\$98,162</u>

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

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$3,984,851	\$3,819,092	(\$165,759)
0	0	0	5,213,929	5,508,845	294,916
4,455	4,503	48	224,455	257,152	32,697
0	0	0	790,968	809,474	18,506
0	0	0	166,000	204,140	38,140
0	0	0	2,000	1,397	(603)
0	137	137	22,854	36,648	13,794
<u>4,455</u>	<u>4,640</u>	<u>185</u>	<u>10,405,057</u>	<u>10,636,748</u>	<u>231,691</u>
0	0	0	954,283	881,780	72,503
0	0	0	1,397,571	1,255,384	142,187
0	0	0	3,919,233	3,672,568	246,665
6,813	6,812	1	6,813	6,812	1
0	0	0	575,664	531,322	44,342
0	0	0	691,223	605,936	85,287
0	0	0	97,150	49,125	48,025
0	0	0	735,936	738,893	(2,957)
0	0	0	469,391	479,175	(9,784)
0	0	0	301,267	99,698	201,569
0	0	0	1,020,338	874,146	146,192
0	0	0	73,846	23,583	50,263
0	0	0	126,793	126,013	780
0	0	0	228,176	220,579	7,597
0	0	0	4,876	3,755	1,121
0	0	0	562,741	535,992	26,749
0	0	0	193,630	193,629	1
0	0	0	36,985	36,985	0
<u>6,813</u>	<u>6,812</u>	<u>1</u>	<u>11,395,916</u>	<u>10,335,375</u>	<u>1,060,541</u>
<u>(2,358)</u>	<u>(2,172)</u>	<u>186</u>	<u>(990,859)</u>	<u>301,373</u>	<u>1,292,232</u>
0	0	0	693,674	723,673	29,999
0	0	0	0	300,564	300,564
0	0	0	16,124	24,830	8,706
0	0	0	158,600	168,509	9,909
0	0	0	(110,927)	(110,327)	600
0	0	0	25,179	25,179	0
0	0	0	0	(300,563)	(300,563)
0	0	0	(509,581)	(723,673)	(214,092)
<u>0</u>	<u>0</u>	<u>0</u>	<u>273,069</u>	<u>108,192</u>	<u>(164,877)</u>
(2,358)	(2,172)	186	(717,790)	409,565	1,127,355
9,596	9,596	0	4,605,002	4,605,002	0
0	0	0	75,069	75,069	0
<u>\$7,238</u>	<u>\$7,424</u>	<u>\$186</u>	<u>\$3,962,281</u>	<u>\$5,089,636</u>	<u>\$1,127,355</u>

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**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
Revenues:			
Charges for Services	\$632,905	\$0	\$632,905
Interest	0	2,611	2,611
Increase (Decrease) in Fair Market Value of Investments	0	31,768	31,768
Total Revenues	<u>632,905</u>	<u>34,379</u>	<u>667,284</u>
Expenses:			
Purchased Services	77,414	0	77,414
Claims	468,865	0	468,865
Other	0	2,700	2,700
Total Expenses	<u>546,279</u>	<u>2,700</u>	<u>548,979</u>
Operating Income (Loss)	<u>86,626</u>	<u>31,679</u>	<u>118,305</u>
Non-Operating Revenues:			
Interest Income	17,013	0	17,013
Total Non-Operating Revenues	<u>17,013</u>	<u>0</u>	<u>17,013</u>
Net Income (Loss)	103,639	31,679	135,318
Retained Earnings/Fund Balance at July 1	<u>365,568</u>	<u>412,758</u>	<u>778,326</u>
Retained Earnings/Fund Balance at June 30	<u>\$469,207</u>	<u>\$444,437</u>	<u>\$913,644</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$0	\$0	\$0
Charges for Services	629,400	632,905	3,505
Interest	0	0	0
Total Revenues	629,400	632,905	3,505
Expenses:			
Claims Expense	600,383	479,036	121,347
Purchased Services	97,737	77,414	20,323
Other	0	0	0
Total Expenses	698,120	556,450	141,670
Excess of Revenues Over (Under) Expenses	(68,720)	76,455	145,175
Non-Operating Revenues and Expenses			
Interest	18,600	17,012	(1,588)
Total Non-Operating Revenues and Expenses	18,600	17,012	(1,588)
Excess of Revenue and Other Non-Operating Revenues Over (Under) Expenses	(50,120)	93,467	143,587
Fund Equity at July 1	426,554	426,554	0
Fund Equity at June 30	\$376,434	\$520,021	\$143,587

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

Non-Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	629,400	632,905	3,505
<u>3,259</u>	<u>3,139</u>	<u>(120)</u>	<u>3,259</u>	<u>3,139</u>	<u>(120)</u>
<u>3,259</u>	<u>3,139</u>	<u>(120)</u>	<u>632,659</u>	<u>636,044</u>	<u>3,385</u>
0	0	0	600,383	479,036	121,347
0	0	0	97,737	77,414	20,323
<u>787</u>	<u>2,700</u>	<u>(1,913)</u>	<u>787</u>	<u>2,700</u>	<u>(1,913)</u>
<u>787</u>	<u>2,700</u>	<u>(1,913)</u>	<u>698,907</u>	<u>559,150</u>	<u>139,757</u>
<u>2,472</u>	<u>439</u>	<u>(2,033)</u>	<u>(66,248)</u>	<u>76,894</u>	<u>143,142</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>18,600</u>	<u>17,012</u>	<u>(1,588)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>18,600</u>	<u>17,012</u>	<u>(1,588)</u>
2,472	439	(2,033)	(47,648)	93,906	141,554
<u>106,842</u>	<u>106,842</u>	<u>0</u>	<u>533,396</u>	<u>533,396</u>	<u>0</u>
<u>\$109,314</u>	<u>\$107,281</u>	<u>(\$2,033)</u>	<u>\$485,748</u>	<u>\$627,302</u>	<u>\$141,554</u>

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**STATEMENT OF CASH FLOWS
 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	
Cash Flows from Operating Activities:			
Cash Received from Quasi-External Transactions with Other Funds	\$632,905	\$0	\$632,905
Cash Payments to Suppliers for Goods and Services	(556,450)	0	(556,450)
Cash Payments for Scholarships	<u>0</u>	<u>(2,700)</u>	<u>(2,700)</u>
Net Cash Used for Operating Activities	76,455	(2,700)	73,755
Cash Flows from Investing Activities:			
Interest on Investments	<u>17,012</u>	<u>2,611</u>	<u>19,623</u>
Net Cash Provided by Investing Activities	<u>17,012</u>	<u>2,611</u>	<u>19,623</u>
Net Increase (Decrease) in Cash and Cash Equivalents	93,467	(89)	93,378
Cash and Cash Equivalents Beginning of Year	<u>426,555</u>	<u>3,544</u>	<u>430,099</u>
Cash and Cash Equivalents at June 30	<u><u>\$520,022</u></u>	<u><u>\$3,455</u></u>	<u><u>\$523,477</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$86,626	\$31,679	\$118,305
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities:			
Interest Income	0	(2,611)	(2,611)
Changes in Assets and Liabilities:			
Increase (Decrease) in Fair Value of Investments	0	(31,768)	(31,768)
Increase in Claims Payable	<u>(10,171)</u>	<u>0</u>	<u>(10,171)</u>
Total Adjustments	<u>(10,171)</u>	<u>(34,379)</u>	<u>(44,550)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$76,455</u></u>	<u><u>(\$2,700)</u></u>	<u><u>\$73,755</u></u>

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

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Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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. 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 (Noble), Cambridge City School District (Guernsey), Crooksville Exempted Village School District (Perry), East Guernsey Local School District (Guernsey), East Muskingum Local School District (Muskingum), Franklin Local School District (Muskingum), Maysville Local School District (Muskingum), Noble Local School District (Noble), Northern Local School District (Perry), Rolling Hills Local School District (Guernsey), Tri-Valley Local School District (Muskingum), West Muskingum Local School District (Muskingum), and Zanesville City School District (Muskingum).

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 each of the above districts, with the exception of Northern Local School District's representative, which is appointed from the Perry County Board of Education.

The School District Board of Education is responsible for the provision of public education to residents of the School District. The above districts cannot directly impose their will on the School District; therefore, the School District is a jointly governed organization of the above districts. No separate governmental units meet the criteria for inclusion as a component unit.

The School District is associated with one other organization which is defined as a jointly governed organization, the Ohio's Mid-Eastern Regional Education Services Agency. The District is also associated with an insurance purchasing pool, the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 in the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mid-East Ohio Vocational 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

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities 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 - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

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

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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level, and the authority to monitor at function/object level is delegated to the District's treasurer. Budgetary information is presented at the function level in the general purpose financial statements to provide more meaningful information. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Muskingum County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including the proprietary fund, are maintained in this account or temporarily used to purchase short term investments. Individual fund

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to stocks, money market accounts, sweep accounts, STAR Ohio, and Certificates of Deposit.

All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost, except for the investments of the Massachusetts Investors Trust Scholarship Non-Expenditure Trust Fund, which is stated at market. Investment earnings are allocated as authorized by State statute. Based upon Board Policy, the District distributes interest to the General Fund, Permanent Improvement Fund, Expendable Trust Fund, Scholarship Non-Expendable Trust Fund, and Student Activity Agency Fund(s). Each fund must have an end of the month balance of \$5,000 to be credited with interest.

The School District's health insurance and dental insurance plans are self-insured. These monies are held separate from the School District's central bank account and are reflected in the financial statements as "Cash and Cash Equivalents in Segregated Accounts".

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$210,956, which includes \$58,825 assigned from other School District funds.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve, and may also include amounts for the purchase of textbooks and instructional materials, and for the construction or acquisition of capital improvements. The reserve for budget stabilization consists of a refund in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 21 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed 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 one thousand dollars. The School District does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Vocational Education - Carl Perkins

Adult Basic and Literacy Education

Title VI

Educational Management Information System

Interactive Video Distance Learning

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Public School Preschool
School-To-Work
School Net
Teacher Development
National School Lunch Program
Government Donated Commodities
Agency Funds
 Pell Grants
Reimbursable Grants
 Capital Project Fund
 Vocational Education Equipment - Matching Funds
 Appalachian Vocational and Other Facilities

Grants and entitlements amounted to approximately 51 percent of governmental fund revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been combined with the general fund. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Estimates

The preparation of the 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 could differ from those estimates.

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for 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 are established for encumbrances, inventories of supplies and materials, unclaimed monies, property taxes, budget stabilization, and endowments. The reserve for property taxes represents taxes recognized as revenue

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not held for the five year period is presented as reserved. The reserve for endowment signifies the legal restrictions on the use of principal. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPAL

The District has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". Under new Internal Revenue Service guidelines, assets of the plan are held in trust for the benefit of the participants and their beneficiaries. The Ohio Public Employees Deferred Compensation Board established a trust fund on September 1, 1998. The District has no fiduciary responsibility for the trust so the amount held for District employee participants is no longer presented on the District's financial statements.

NOTE 4 - ACCOUNTABILITY AND PRIOR PERIOD RESTATEMENTS

A. Accountability

At June 30, 1999, the following funds had deficit balances:

Preschool Grant	\$209
ABLE	48,907
Appalachian Vocational & Other Facilities	64,130
Vocational Education	4,939
Professional Development Grant	308

The deficits are due to the recognition of payables in accordance with generally accepted accounting principles.

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. Prior Period Restatements

For fiscal year 1999, the Board adopted a policy changing the capitalization threshold for GAAP purposes from a minimum amount of \$500 to \$1,000. The effect on the financial statements at June 30, 1998, resulted in the following restatement:

Fund Type/ Account Group	Amount Previously Reported at 6/30/98	Adjustment	Restated Amount At 06/30/98
General Fixed Assets Account Group	\$13,391,375	(\$740,814)	\$12,650,561

For fiscal year 1999, the District reclassified the Fox Scholarship trust fund from the non-expendable trust fund to the expendable trust fund type based on more accurate information. The effect on the financial statements at June 30, 1998, resulted in the following restatement:

Fund Type	Amount Previously Reported at 6/30/98	Adjustment	Restated Amount At 06/30/98
Expendable Trust Fund Type, Fund Balance	\$9,597	\$69,843	\$79,440
Non-Expendable Trust Fund, Fund Balance	\$482,601	(\$69,843)	\$412,758

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) -All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Similar Trust Funds are 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Mid-East Ohio Vocational School District
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2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund**

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$360,488	(\$87,894)	\$0	\$177,760	(\$2,172)
Revenue Accruals	(89,592)	125,822	0	(5,136)	0
Expenditure Accruals	55,691	(5,431)	0	58	0
Encumbrances	(6,436)	(3,035)	0	0	0
Debt Service Principal	0	0	(110,000)	0	0
Interest & Fiscal Charges	32,017	0	(32,576)	0	0
Advances-In	66,489	234,075	0	0	0
Advances-Out	(234,075)	(66,489)	0	0	0
Adjustment for Reclassification from Debt Service to General Fund	(142,576)	0	142,576	0	0
Budget Basis	\$42,006	\$197,048	\$0	\$172,682	(\$2,172)

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
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Net Income/Excess of Revenues Over (Under) Expenses
Proprietary Fund Type and Similar Trust Fund

	Internal Service	Nonexpendable Trust
GAAP Basis	\$103,639	\$31,679
Revenue Accrual	0	(31,240)
Expense Accrual	(10,172)	0
Budget Basis	\$93,467	(\$439)

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 two 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 the 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:

Mid-East Ohio Vocational School District
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1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 be 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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

Investments in stripped principal or interest obligations, reverse purchase 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.

During fiscal year 1999, the School District's investments were limited to overnight repurchase agreements, stocks, and STAR Ohio.

At fiscal year end, the School District had \$72 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,739,607. The bank balance was \$2,155,791. Of the bank balance:

1. \$205,079 was covered by federal depository insurance; and
2. \$1,950,712 was uninsured and uncollateralized even though these deposits were covered by collateral held in a collateral pool securing all public deposits of the pledging financial institution. Although all state statutory requirements for the collateralization of deposits had been followed, noncompliance with federal requirements could potentially prevent the School District from exercising a successful claim as a secured creditor against FDIC and render them a general creditor for the uncollateralized amount.

Investments: The School District's investments are 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's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Investments	Category 1	Category 2	Category 3	Carrying Value	Market Value
Repurchase Agreements	\$0	\$0	\$693,480	\$693,480	\$693,480
Massachusetts Investment Trust	440,983	0	0	440,983	\$440,983
STAR Ohio				3,289,697	3,289,697
Totals				<u>\$4,424,160</u>	<u>\$4,424,160</u>

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

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$4,222,856	\$1,940,983
Undeposited Cash	(72)	0
Investments:		
Repurchase Agreements	(693,480)	693,480
Certificates of Deposit	1,500,000	(1,500,000)
STAR Ohio	(3,289,697)	3,289,697
GASB Statement 3	\$1,739,607	\$4,424,160

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Muskingum, Perry, Guernsey, Noble,

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
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Coshocton, Licking, Washington, Monroe, and Fairfield Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$1,152,228 in the General Fund. The amount available as an advance at June 30, 1998 was \$1,116,235 in the General Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,294,224,170	73.90%	\$1,313,691,890	73.79%
Public Utility	226,931,620	13.00%	227,248,930	12.76%
Tangible Personal Property	229,053,589	13.10%	239,332,868	13.45%
Total Assessed Value	\$1,750,209,379	100.00%	\$1,780,273,688	100.00%
Tax rate per \$1,000 of assessed valuation	\$3.20		\$3.20	

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, intergovernmental grants, and interest receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principle items of intergovernmental receivables follows:

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
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	Amounts
General Fund	\$67,929
<i>Special Revenue Funds:</i>	
Lunchroom	6,605
Adult Ed. - Tuition and Reimbursements	39,722
Adult Basic & Literacy Ed. Grant	12,388
Appalachian Grant	64,130
Vocational Education Grant	88,220
Total Intergovernmental Receivables	\$278,994

NOTE 9 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Restated Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$333,075	\$0	\$0	\$333,075
Buildings and Improvements	8,923,879	0	0	8,923,879
Furniture, Fixtures and Equipment	2,857,833	189,958	96,016	2,951,775
Vehicles	535,774	40,956	2,250	574,480
Totals	\$12,650,561	\$230,914	\$98,266	\$12,783,209

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for liability insurance. Property and vehicle insurance are provided by Young Insurance Agency. Coverage provided collectively by both companies are as follows:

Mid-East Ohio Vocational School District
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Builders Risk (500 deductible)	\$ 25,000
Bldg and Contents-replacement cost (\$1,000 deductible)	22,533,309
Inland Marine Coverage (\$100 deductible)	210,384
Boiler and Machinery (\$1,000 deductible)	20,000,000
Crime Insurance	10,000
Automobile Liability (\$100 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	\$5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. 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.

C. Employee Medical Benefits

Health and dental coverage are provided through self-insurance internal service funds, administered by Medical Benefit Administrators. The School District pays into the health self-insurance internal service fund \$459.00 for family coverage (90% of required premium) or \$162.00 (90% of required premium) for individual coverage per month for certified employees and administrators and \$320.00 for family coverage (80% of required premium) or \$112.00 (80% of required premium) for individual coverage per month for classified 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 certified employees and administrators and \$37.60 for classified employees. family and single coverage (80% of required premium). 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 50,815 reported in the internal service fund at June 30, 1999 is based on an estimate

Mid-East Ohio Vocational School District
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provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$49,831	\$595,417	\$584,262	\$60,986
1999	\$60,986	\$468,865	\$479,036	\$50,815

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Mid-East Ohio Vocational School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available 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 Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$645,664, \$595,025, and \$540,876 respectively; 100 percent has been contributed for 1997 and 1998 fiscal years and 77 percent was contributed for 1999 fiscal year. \$64,514 representing the unpaid contributions for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
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The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North 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 rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$169,555, \$168,187, and \$154,538, respectively; 100 percent has been contributed for 1997 and 1998 fiscal years and 93 percent was contributed for 1999 fiscal year. \$7,249 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 1999, six members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - 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-certified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

The 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 costs will be absorbed by STRS. Most benefit recipients pay a portion of health care

Mid-East Ohio Vocational School District
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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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$368,951 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and 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 of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, during the 1999 year equaled \$11,501.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provided for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - 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

Mid-East Ohio Vocational School District
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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. Accumulated unused vacation time is paid to administrators upon termination of employment for up to 30 days. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days for teachers and administrators and 210 days for classified staff. Upon retirement, certificated employees and administrators receive payment for one-fourth of the total sick leave accumulation. An estimate of probable future payments for sick leave was made based upon historical employment information.

Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation up to a maximum of 30 days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through The Anthem Life Insurance Company in the amount of \$45,000 for certified secondary employees and administrators, \$25,000 for adult education certified employees, and \$20,000 for classified employees.

NOTE 14 - 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 combined financial statements for the general fund.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$90,355. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$17,864 in the General Fund.

Mid-East Ohio Vocational School District
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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, 1999.

<u>Fiscal Year Ending June 30,</u>	<u>General Long-Term Obligations Account Group</u>
2000	\$22,272
2001	22,000
2002	<u>3,576</u>
Total	47,848
Less: Amount Representing Interest	<u>(4,026)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$43,822</u></u>

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Principal Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/99</u>
Bldg. Construction Assistance Loan 1992 Interest Free	\$591,882	\$0	\$65,765	\$526,117
Capital Leases	61,686	0	17,864	43,822
Compensated Absences	334,025	106,350	32,991	407,384
Intergovernmental Payable	<u>13,000</u>	<u>16,343</u>	<u>13,000</u>	<u>16,343</u>
Total General Long-Term Obligations	<u><u>\$1,000,593</u></u>	<u><u>\$122,693</u></u>	<u><u>\$129,620</u></u>	<u><u>\$993,666</u></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 Classroom Facilities Capital Project Fund. Capital lease obligations will be paid from the general fund. The District will pay compensated absences and the intergovernmental payable of the fund from which employees are paid.

Principal payments to retire Building Assistance Loans outstanding at June 30, 1999, are as follows:

Mid-East Ohio Vocational School District
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<u>Fiscal year Ending June 30</u>	<u>Principal</u>
2000	\$65,765
2001	65,765
2002	65,765
2003	65,765
2004	65,765
2005-2007	<u>197,292</u>
Total	<u><u>\$526,117</u></u>

The School District's voted legal debt margin was \$160,224,660 with an unvoted debt margin of \$1,780,274 at June 30, 1999.

NOTE 16 - NOTE ACTIVITY

The changes in the School District's note activity obligations during fiscal year 1999 were as follows:

General Fund - Energy Conservation Notes:	<u>Principal Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/99</u>
1993 - 6.3%	\$445,000	\$0	\$90,000	\$355,000
1993 - 5.675%	<u>110,000</u>	<u>0</u>	<u>20,000</u>	<u>90,000</u>
Total Notes Outstanding	<u><u>\$555,000</u></u>	<u><u>\$0</u></u>	<u><u>\$110,000</u></u>	<u><u>\$445,000</u></u>

Principal and interest requirements to retire notes outstanding at June 30, 1999, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$115,000	\$25,772	\$140,772
2001	125,000	18,494	143,494
2002	135,000	10,633	145,633
2003	<u>70,000</u>	<u>2,158</u>	<u>72,158</u>
Total	<u><u>\$445,000</u></u>	<u><u>\$57,057</u></u>	<u><u>\$502,057</u></u>

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Type/Fund	Fund	Receivables Interfund	Payables Interfund
<i>General Fund:</i>		\$234,076	\$0
<i>Special Revenue Funds:</i>			
Adult Basic & Literacy Ed. Grant		0	58,885
Appalachian Equipment Grant		0	64,130
Vocational Education Grant		0	111,061
Total All Funds		\$234,076	\$234,076

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid Eastern Regional Educational Service Agency - The Ohio Mid Eastern Regional Educational Service Agency is a jointly governed organization created as a regional council of governments pursuant to State Statutes. OME-RESA provides financial accounting services, educational management information system, cooperative purchase services and legal services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors. The Jefferson County Board of Education office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the District's continued participation and no equity interest exists. OME-RESA has no outstanding debt.

NOTE 19 - INSURANCE PURCHASING POOL

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), an insurance purchasing pool. The GRP's business and affairs

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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.

NOTE 20 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,951,948 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Mid-East Ohio Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside balance as of June 30, 1998	\$0	\$0	\$45,566	\$45,566
Current Year Set-aside Requirement	\$121,969	\$121,969	\$60,984	\$304,922
Current Year Offsets	\$0	\$0	\$0	\$0
Qualifying Disbursements	(\$121,969)	(\$121,969)	\$0	(\$243,938)
Total	\$0	\$0	\$106,550	\$106,550
Cash Balance Carried forward to FY 2000	\$0	\$0	\$106,550	

Although the School District had qualifying disbursements during the year that reduced the set-asides amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 1999.

B. Litigation

The School District is not party to any legal proceedings.

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Program	CFDA #	Pass-through Entity's Number	Receipts
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed-through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Food Distribution	10.550	NA	\$0
National School Lunch Program	10.555	03-PU-98/99 / 04-PU-98/99	34,768
Child Care Food Program	10.558	16-CC-98/99 / 21-ML-98-99	<u>16,367</u>
U.S. Department of Agriculture - Child Nutrition Cluster			51,135
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed-through the Ohio Department of Education:</i>			
Job Training Partnership Act (School to Work)	17.249	WK-BE98	<u>110,188</u>
Total U.S. Department of Labor			110,188
APPALACHIAN REGIONAL COMMISSION			
<i>Passed-through the Ohio Department of Education:</i>			
Appalachian Vocational and Other Education Facilities and Education Grant	23.211	OH-12998-I-211	<u>0</u>
Total Appalachian Regional Commission			0
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed-through the Ohio Department of Education:</i>			
Adult Basic and Literacy Education Grant	84.002	AB-S1-99	163,726
Vocational Education - Basic Grants to States	84.048	20-A4-98/99	38,730
		20-C1-98/99	499,099
		20-C2-98/99	<u>94,144</u>
Total Vocational Education - Basic Grants to States			631,973
Innovative Education Program Strategy - Title VI	84.298	C2-S1-99	3,170
<i>Direct Program:</i>			
Pell Grant	84.318	044347-TF-31-99	<u>134,315</u>
Total U.S. Department of Education			<u>933,184</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,094,507</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement

<u>Non-cash Receipts</u>	<u>Expenditures</u>	<u>Non-cash Expenditures</u>	<u>Refunded Disbursements or (Receipts)</u>
\$19,346	\$0	\$18,412	\$0
0	34,768	0	0
0	16,367	0	0
<u>19,346</u>	<u>51,135</u>	<u>18,412</u>	<u>0</u>
0	96,458	0	(5,898)
0	96,458	0	(5,898)
0	40,081	0	0
0	40,081	0	0
0	163,726	0	(63,327)
0	38,740	0	0
0	490,637	0	0
0	90,530	0	0
0	619,907	0	0
0	4,137	0	0
0	134,315	0	0
0	922,085	0	(63,327)
<u>\$19,346</u>	<u>\$1,109,759</u>	<u>\$18,412</u>	<u>(\$69,225)</u>

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting, except expenditures of assistance from the United States Department of Labor passed through the Ohio Department of Education for the Job Training Partnership Program are presented on an accrual basis.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal Programs require that the School District contribute non-federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



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JIM PETRO, AUDITOR OF STATE

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

Mid East Ohio Vocational School District
Muskingum County
400 Richards Road
Zanesville, Ohio 43701-4645

To the Board of Education:

We have audited the general purpose financial statements of the Mid East Ohio Vocational School District, Muskingum County, Ohio (the School District), as of and for the fiscal year ended June 30, 1999, in which we indicated that the School District had changed its method of accounting for deferred compensation, and have issued our report thereon dated February 24, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 School District's 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*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated February 24, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 School District in a separate letter dated February 24, 2000.

Mid East Ohio Vocational School District
Muskingum County
Report of Independent Accountants 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.



Jim Petro
Auditor of State

February 24, 2000



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE 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 43701-4645

To the Board of Education:

Compliance

We have audited the compliance of the Mid East Ohio Vocational School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to its major federal program for the fiscal year ended June 30, 1999. The School 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 School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

Internal Control over Compliance

The management of the School 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 School 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 controls 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.



Jim Petro
Auditor of State

February 24, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

There were no findings related to the financial statements required to be reported herein.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards that were required to be reported herein.



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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.

By: *Susan Babbitt*
Clerk of the Bureau

Date: **APR 11 2000**