

Norman
Jones
Enlow
& Co.

Certified Public Accountants
& Management Consultants

**MOUNT VERNON CITY SCHOOL DISTRICT
ANNUAL REPORT
June 30, 1999**

**MOUNT VERNON CITY SCHOOL DISTRICT
ANNUAL REPORT
June 30, 1999**

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY
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KNOX COUNTY
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**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY
ELECTED OFFICIALS
AS OF JUNE 30, 1999**

<u>Title/Name</u>	<u>Term of Office</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<u>Board of Education:</u>				
<u>President</u>				
Margie Bennett	1/1/96-12/31/99	(A)	\$20,000	1/1/97-12/31/99
<u>Vice President</u>				
Sam Landeman	1/1/98-12/31/01	(A)	\$20,000	1/1/97-12/31/99
<u>Members</u>				
Kathy Sherman	1/1/96-12/31/99	(A)	\$20,000	1/1/97-12/31/99
Chuck Waugh	1/1/98-12/31/01	(A)	\$20,000	1/1/97-12/31/99
Donna Scott	1/1/98-12/31/01	(A)	\$20,000	1/1/97-12/31/99

Legal Counsel

William Smith, City Law Director
5 North Gay Street
Mount Vernon, Ohio 43050

Official Address

Mount Vernon City School District
302 Martinsburg Road
Mount Vernon, Ohio 43050-4252

(A) Nationwide Mutual Insurance Company

MOUNT VERNON CITY SCHOOL DISTRICT
 KNOX COUNTY
 ADMINISTRATIVE PERSONNEL
 AS OF JUNE 30, 1999

<u>Name/Title</u>	<u>Contract Period</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<u>Treasurer</u> Nancy Sinclair	1/1/99-Organizational Meeting 2003	(B)	\$100,000	1/11/99-Organizational Meeting 2003
<u>Superintendent</u> John Sonedecker	7/1/96-7/31/99	(C)	\$20,000	1/1/97-1/1/00
<u>Assistant Superintendent</u> R. Jeff Maley	6/30/96-7/31/99	(A)	\$40,000	8/28/96-8/26/99

(A) The Ohio Farmers Insurance Company

(B) The Cincinnati Insurance Company

(C) Nationwide Insurance Company

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY
INDEX OF FUNDS**

GOVERNMENTAL FUND TYPES:

General Fund Type:

- **General Fund**

Special Revenue Fund Types:

- **Public School Support Fund**
- **School Managed Activity Funds**
- **Disadvantaged Pupil Program Fund**
- **Excellence in Education Funds**
- **Education Management Information System Fund**
- **Disadvantaged Pupil Impact Aid Fund**
- **Eisenhower Math and Science Fund**
- **Special Education Grants to States (IDEA Part B)**
- **Grants to Local Educational Agencies – (ESEA Title I)**
- **Drug Free Schools Fund**
- **Preschool Grant Fund**

Debt Service Fund Type:

- **Bond Retirement Fund**

Capital Projects Fund Type:

- **Permanent Improvement Fund**
- **Building Fund**
- **School Net Fund**

Expendable Trust Fund Type:

- **Special Trust Fund**

PROPRIETARY FUND TYPES:

Enterprise Fund Types:

- **Food Services Fund**
- **Uniform School Supplies Fund**

Internal Service Fund Types:

- **Self-Insurance Fund**
- **Internal Services Rotary Fund**

AGENCY FUND TYPE:

- **Student Managed Activities Fund**
- **Auxiliary Services Fund**



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Education
Mount Vernon City School District
Mount Vernon, Ohio

We have reviewed the Independent Auditor's Report of the Mount Vernon City School District, Knox County, prepared by Norman Jones Enlow & Co., for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mount Vernon City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Jim Petro".

JIM PETRO
Auditor of State

April 25, 2000

INDEPENDENT AUDITORS' REPORT

Board of Education
Mount Vernon City School District
Mount Vernon, Ohio

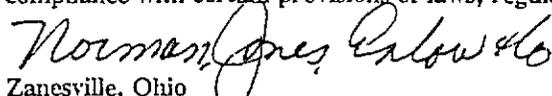
We have audited the accompanying general purpose financial statements of the Mount Vernon City School District as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility 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 general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, 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 Mount Vernon City School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Mount Vernon City School District, taken as a whole. The accompanying schedule of federal awards 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2000, on our consideration of Mount Vernon City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Zanesville, Ohio
February 11, 2000

MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1989

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Asset Account Group	Long-Term Debt Account Group	
Assets and Other Debits:										
Equity in Pooled Cash and Cash Equivalents	\$8,858,140	\$492,532	\$618,255	\$1,591,084	\$293,088	\$1,027,549	\$36,856	\$0	\$0	\$12,917,504
Receivables:										
Taxes	12,096,826	-	898,704	573,337	-	-	-	-	-	13,568,867
Accounts	8,813	100	-	-	255	-	-	-	-	9,168
Inter governmental	-	-	-	-	45,904	-	-	-	-	45,904
Interfund Receivable	13,027	-	-	-	-	-	-	-	-	13,027
Materials and Supplies Inventory	-	-	-	-	25,470	-	-	-	-	25,470
Restricted Assets:										
Cash and Cash Equivalents	272,881	-	-	-	-	-	-	-	-	272,881
Fixed Assets (net)	-	-	-	-	244,138	-	-	24,205,307	-	24,449,443
Other Debits:										
Amount in Debt Service Fund for Retirement of	-	-	-	-	-	-	-	-	618,255	618,255
Provided from General Government Resources	-	-	-	-	-	-	-	-	10,891,489	10,891,489
Total Assets and Other Debits	\$21,249,687	\$492,632	\$1,516,959	\$2,184,421	\$608,853	\$1,027,549	\$36,856	\$24,205,307	\$11,509,744	\$62,812,008
Liabilities:										
Accounts Payable	\$178,885	\$24,821	\$0	\$67,852	\$4,102	\$39	\$3,026	\$0	\$0	\$278,725
Accrued Wages and Benefits	1,647,509	95,507	-	9,044	-	-	-	-	-	1,752,060
Compensated Absences Payable	64,306	119	-	-	20,325	-	-	-	1,120,834	1,205,584
Interfund Payable	-	11,899	-	-	-	-	1,128	-	-	13,027
Inter governmental Payable	329,775	13,267	-	-	17,888	198	-	-	146,595	507,723
Deferred Revenue	8,171,260	-	589,952	396,907	6,213	-	-	-	-	9,164,332
Due to Students	-	-	-	-	-	-	29,132	-	-	29,132
Claims Payable	-	-	-	-	-	-	346,735	-	-	346,735
Capital Leases Payable	-	-	-	-	-	-	-	-	59,135	59,135
Energy Conservation Loan Payable	-	-	-	-	-	-	-	-	148,180	148,180
General Obligation Bonds Payable	-	-	-	-	-	-	-	-	10,035,000	10,035,000
Total Liabilities	10,391,735	145,613	589,952	464,769	57,572	346,872	33,296	-	11,509,744	23,539,633
Fund Equity and Other Credits:										
Investment in General Fixed Assets	-	-	-	-	-	-	-	24,205,307	-	24,205,307
Retained Earnings:										
Unreserved	-	-	-	-	551,281	680,577	-	-	-	1,231,858
Reserved:										
Reserved for Encumbrances	488,453	107,269	-	357,978	-	-	55	-	-	953,753
Reserved for Debt Services Principal	-	-	618,255	-	-	-	-	-	-	618,255
Reserved for Advances	13,027	-	-	-	-	-	-	-	-	13,027
Reserved for Property Taxes	3,925,568	-	308,752	176,430	-	-	-	-	-	4,410,748
Reserved for Budget Stabilization	272,881	-	-	-	-	-	-	-	-	272,881
Unreserved:										
Unreserved, Undesignated	6,158,025	239,750	-	1,186,256	-	-	3,515	-	-	7,586,546
Total Fund Equity and Other Credits	10,857,952	347,019	927,007	1,639,662	551,281	680,577	3,570	24,205,307	-	39,272,375
Total Liabilities, Fund Equity and Other Credits	\$21,249,687	\$492,632	\$1,516,959	\$2,184,421	\$608,853	\$1,027,549	\$36,856	\$24,205,307	\$11,509,744	\$62,812,008

See accompanying notes to the general purpose financial statements.

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY, OHIO**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Intergovernmental	\$9,436,064	\$1,737,321	\$89,093	\$56,480	\$0	\$11,318,958
Interest	535,840	-	-	88,213	-	622,053
Tuition and Fees	416,980	-	-	-	-	416,980
Rent	6,560	-	-	1,525	-	8,085
Extracurricular Activities	26,532	121,969	-	-	28	148,529
Gifts and Donations	8,500	6,164	-	-	-	14,664
Property & Other Local Taxes	9,894,809	-	882,892	519,838	-	11,297,539
Miscellaneous	64,221	815	-	39,140	-	104,176
Total Revenues	20,389,506	1,866,269	971,985	703,196	28	23,930,984
Expenditures:						
Current:						
Instruction:						
Regular	10,567,538	112,059	-	321,317	-	11,000,914
Special	1,571,667	780,555	-	-	-	2,352,222
Vocational	206,394	-	-	-	-	206,394
Support Services:						
Pupils	971,954	201,543	-	-	-	1,173,497
Instructional Staff	756,961	152,948	-	3,104	-	913,013
Board of Education	34,697	-	-	-	-	34,697
Administration	1,462,199	67,768	-	-	334	1,530,301
Fiscal	1,129,320	12,300	21,451	13,042	-	1,176,113
Business	144,484	44	-	-	-	144,528
Operation and Maintenance of Plant	1,753,848	-	-	-	-	1,753,848
Pupil Transportation	725,826	-	-	38,507	-	764,333
Central	14,333	-	-	-	-	14,333
Non-Instructional Services	-	141,565	-	-	-	141,565
Extracurricular activities	318,868	136,773	-	-	-	455,641
Capital Outlay	-	-	-	792,536	-	792,536
Debt Service:						
Debt Service - Principal	41,653	-	299,090	-	-	340,743
Debt Service - Interest	6,404	-	641,543	-	-	647,947
Total Expenditures	19,706,146	1,605,555	962,084	1,168,506	334	23,442,625
Excess of Revenues Over (Under) Expenditures	683,360	260,714	9,901	(465,310)	(306)	488,359
Other Financing Sources and Uses						
Operating Transfers In	-	-	85,839	250,000	-	335,839
Proceeds from Sale of Fixed Assets	74	-	-	-	-	74
Refund of Prior Year Expenditures	1,868	764	-	-	-	2,632
Operating Transfers Out	(335,840)	-	-	-	-	(335,840)
Refund of Prior Year Receipts	-	(342)	-	-	-	(342)
Total Other Financing Sources (Uses)	(333,898)	442	85,839	250,000	-	2,383
Excess of Rev and Other over Exp and Other...	349,462	261,156	95,740	(215,310)	(306)	490,742
Fund Balance at Beginning of Year	10,508,490	85,863	831,267	1,914,972	1,237	13,341,829
Fund Balance at End of Year	\$10,857,952	\$347,019	\$927,007	\$1,699,662	\$831	\$13,832,571

See accompanying notes to the general purpose financial statements.

MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY, OHIO

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

	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$3,136,686	\$9,436,064	\$6,299,478	\$1,737,321	\$1,737,321	\$0
Interest	-	535,840	535,840	-	-	-
Tuition and Fees	-	409,610	409,610	-	-	-
Rent	-	6,500	6,500	-	-	-
Extracurricular Activities	-	26,532	26,532	121,976	122,033	57
Gifts and Donations	-	8,500	8,500	6,164	6,164	-
Property & Other Local Taxes	9,740,210	9,740,210	-	-	-	-
Miscellaneous	-	84,233	84,233	915	915	-
Total Revenues	12,876,796	20,227,549	7,350,753	1,866,276	1,865,333	57
Expenditures:						
Current:						
Instruction:						
Regular	10,586,889	10,586,889	-	141,320	117,155	24,165
Special	1,658,275	1,658,275	-	988,250	799,805	188,445
Vocational	199,120	199,120	-	-	-	-
Support Services:						
Pupils	979,457	979,457	-	246,732	220,452	26,280
Instructional Staff	778,295	778,295	-	179,267	155,050	24,217
Board of Education	41,648	41,648	-	-	-	-
Administration	1,446,085	1,446,085	-	89,473	64,595	24,878
Fiscal	2,153,108	1,136,310	1,016,798	12,535	12,300	235
Business	142,818	142,818	-	44	44	-
Operation and Maintenance of Plant	2,018,072	2,018,072	-	-	-	-
Pupil Transportation	839,841	780,649	59,192	-	-	-
Central	12,683	12,683	-	-	-	-
Non-Instructional Services	-	-	-	227,973	211,244	16,729
Extracurricular activities	317,013	317,013	-	206,639	151,200	55,439
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Total Expenditures	21,173,302	20,097,314	1,075,988	2,082,233	1,731,845	350,388
Excess of Revenues Over (Under) Expenditures	(8,296,506)	130,235	8,426,741	(225,957)	134,488	360,445
Other Financing Sources and Uses						
Operating Transfers In	-	-	-	-	-	-
Proceeds from Sale of Fixed Assets	-	74	74	-	-	-
Refund of Prior Year Expenditures	-	1,868	1,868	785	785	-
Advances In	-	35,000	35,000	-	-	-
Operating Transfers Out	(335,840)	(335,840)	-	-	-	-
Refund of Prior Year Receipts	-	-	-	(342)	(342)	-
Advances Out	-	-	-	(35,000)	(35,000)	-
Total Other Financing Sources (Uses)	(335,840)	(295,808)	38,042	(34,557)	(34,557)	360,445
Excess of Rev and Other over Exp and Other...	(8,632,346)	(165,573)	8,466,773	(260,514)	99,931	360,445
Fund Balances at Beginning of Year	8,038,602	8,038,602	-	169,875	169,875	-
Prior Year Encumbrances Appropriated	593,744	593,744	-	90,639	90,639	-
Fund Balance at end of Year	\$0	\$8,463,683	\$8,463,683	\$0	\$360,445	\$360,445

See accompanying notes to the general purpose financial statements.

Debt Service			Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$89,093	\$89,093	\$0	\$44,791	\$56,480	\$11,689	\$0	\$0	\$0	\$5,007,791	\$11,318,958	\$5,311,167
-	-	-	79,257	86,213	6,956	-	-	-	79,257	622,053	542,796
-	-	-	1,525	1,525	-	-	-	-	1,525	409,610	409,610
-	-	-	-	-	-	28	28	-	-	8,085	6,560
938,039	938,039	-	554,347	554,347	-	-	-	-	122,004	148,593	26,589
-	-	-	39,140	39,140	-	-	-	-	8,164	14,664	6,500
1,027,132	1,027,132	-	718,060	737,705	19,645	28	28	-	11,232,598	11,232,598	-
-	-	-	-	-	-	-	-	-	39,955	104,188	64,233
-	-	-	-	-	-	-	-	-	16,489,292	23,858,747	7,369,455
-	-	-	623,043	390,515	242,528	-	-	-	11,351,252	11,084,559	266,693
-	-	-	-	-	-	351	-	351	2,646,876	2,459,080	187,796
-	-	-	-	-	-	-	-	-	199,120	199,120	-
-	-	-	6,189	3,104	3,085	-	-	-	1,226,189	1,199,909	26,280
-	-	-	-	-	-	-	-	-	963,751	936,449	27,302
-	-	-	-	-	-	-	-	-	41,848	41,848	-
634,337	21,451	612,886	201,032	13,042	187,990	458	429	29	1,536,016	1,511,109	24,907
-	-	-	-	-	-	-	-	-	3,001,010	1,183,103	1,817,907
-	-	-	-	-	-	-	-	-	142,862	142,862	-
-	-	-	50,456	38,507	11,949	253	-	253	2,018,072	2,018,072	-
-	-	-	-	-	-	-	-	-	890,550	919,156	71,394
-	-	-	-	-	-	-	-	-	12,683	12,683	-
-	-	-	-	-	-	-	-	-	227,973	211,244	16,729
-	-	-	1,798,678	1,097,619	701,059	243	-	243	523,895	469,213	55,682
-	-	-	-	-	-	-	-	-	1,798,678	1,097,619	701,059
299,090	299,090	-	-	-	-	-	-	-	299,090	299,090	-
646,912	641,544	5,368	-	-	-	-	-	-	846,912	641,544	5,368
1,680,339	882,085	818,254	2,879,398	1,532,787	1,146,611	1,305	429	876	27,528,577	24,324,460	3,202,117
(653,207)	65,047	618,254	(1,960,338)	(795,082)	1,165,256	(1,277)	(401)	876	(11,037,285)	(465,713)	10,571,572
85,840	85,840	-	250,000	250,000	-	-	-	-	335,840	335,840	-
-	-	-	-	-	-	-	-	-	785	74	74
-	-	-	-	-	-	-	-	-	-	2,653	1,868
-	-	-	-	-	-	-	-	-	-	36,000	35,000
-	-	-	-	-	-	-	-	-	(335,840)	(335,840)	-
-	-	-	-	-	-	-	-	-	(342)	(342)	-
-	-	-	-	-	-	-	-	-	(35,000)	(35,000)	-
85,840	85,840	-	250,000	250,000	-	-	-	-	(34,557)	2,385	58,942
(487,367)	150,867	618,254	(1,710,338)	(545,082)	1,165,256	(1,277)	(401)	876	(11,071,842)	(463,328)	10,608,514
467,367	467,367	-	1,180,941	1,180,941	-	1,202	1,202	-	9,857,987	9,857,987	-
-	-	-	529,397	529,397	-	75	75	-	1,213,855	1,213,855	-
\$0	\$818,254	\$618,254	\$0	\$1,185,256	\$1,185,256	\$0	\$876	\$876	\$0	\$10,808,514	\$10,808,514

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fudiciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
Operating Revenues:				
Sales	\$592,442	\$0	\$0	\$592,442
Charges for Services	-	1,213,029	-	1,213,029
Interest	-	-	135	135
Other Revenues	-	3,547	-	3,547
Refund of Prior Year Expense	6	-	-	6
Proceeds from Sale of Fixed Asset	1,100	-	-	1,100
Total Operating Revenues	593,548	1,216,576	135	1,810,259
Operating Expenses:				
Salaries	256,690	8,030	-	264,720
Fringe Benefits	100,106	57,718	-	157,824
Purchased Services	7,643	2,060,894	-	2,068,537
Materials and Supplies	511,553	1,100	-	512,653
Depreciation	35,302	-	-	35,302
Other	-	7,805	126	7,931
Total Operating Expenses	911,294	2,135,547	126	3,046,967
Operating Income (Loss)	(317,746)	(918,971)	9	(1,236,708)
Non-Operating Revenues and Expenses:				
Federal Donated Commodities	32,111	-	-	32,111
Interest	9,795	71,302	-	81,097
Federal and State Subsidies	307,474	-	-	307,474
Total Non-Operating Revenues and Expenses	349,380	71,302	-	420,682
Net Income (Loss)	31,634	(847,669)	9	(816,026)
Retained Earnings at Beginning of Year	519,647	1,528,246	2,630	2,050,523
Retained Earnings at End of Year	\$551,281	\$680,577	\$2,639	\$1,234,497

See accompanying notes to the general purpose financial statements.

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals Memorandum Only
	Enterprise	Internal Service	Non-Expendable Trust	
Increase/(Decrease) in Cash & Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$594,599	\$0	\$0	\$594,599
Cash Received from Charges for Services	-	1,213,029	-	-1,213,029
Other Cash Receipts	1,106	3,547	-	4,653
Cash Pmts. to Suppliers for Goods & Service	(482,440)	(1,100)	-	(483,540)
Cash Payments for Contract Services	(7,643)	(1,950,637)	-	(1,958,280)
Cash Payments for Employee Services	(254,949)	(8,030)	-	(262,979)
Cash Payments for Employee Benefits	(93,029)	(57,756)	-	(150,785)
Other Cash Payments	(33,820)	(7,805)	(126)	(41,751)
Net Cash Provided by (Used for) Operating Activities	(276,176)	(808,752)	(126)	(1,085,054)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	261,571	-	-	261,571
Net Cash Provided by (Used for) Noncapital Financing Activities	261,571	-	-	261,571
Cash Flows from Investing Activities:				
Interest on Investments	9,794	71,302	135	81,231
Net Cash Provided by (Used for) Investing Activities	9,794	71,302	135	81,231
Net Increase (Decrease) in Cash and Cash Equivalents	(4,811)	(737,450)	9	(742,252)
Cash & Cash Equivalents at Beginning of Year	297,899	1,764,999	2,630	2,065,528
Cash & Cash Equivalents at End of Year	\$293,088	\$1,027,549	\$2,639	\$1,323,276
Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(\$317,746)	(\$918,971)	\$9	(\$1,236,708)
Adjustments to Reconcile Operating Income (loss) To Net Cash Provided by (Used for) Operating Activities:				
Depreciation	35,302	-	-	35,302
Donated Commodities Used During the Year	32,111	-	-	32,111
Non-Expendable Trust Fund Interest	-	-	(135)	(135)
Adjustment to Capital Outlay	(29,323)	-	-	(29,323)
(Increase) Decrease in Assets:				
Accounts Receivable	2,157	-	-	2,157
Material and Supplies Inventory	(7,699)	-	-	(7,699)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	1,425	-	-	1,425
Claims Payable	-	110,218	-	110,218
Intergovernmental Payable	3,348	(38)	-	3,310
Deferred Revenue	4,279	-	-	4,279
Accounts Payable	(4,075)	39	-	(4,036)
Accrued Wages and Benefits	4,045	-	-	4,045
Total Adjustments	41,570	110,219	(135)	151,654
Net Cash Provided by (Used for) Operating Activities	(\$276,176)	(\$808,752)	(\$126)	(\$1,085,054)

See accompanying notes to the general purpose financial statements.

**Mount Vernon City School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Mount Vernon City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in the 1870s through the consolidation of existing land areas and school districts. The School District serves an area of approximately 138 square miles. It is located in Knox County, and includes all of the City of Mount Vernon, the Village of Gambier and portions of Brown, Clinton, College, Harrison, Howard, Liberty, Miller, Monroe, Morgan, Morris, Pike, and Pleasant Townships. The School District is the 86th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 147 non-certificated employees and 267 certificated full-time teaching personnel who provide services to 4,143 students and other community members. The School District currently operates 9 instructional buildings, one administrative building, and one garage.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, St. Vincent De Paul Elementary operated through the Columbus Catholic Diocese; Christian Star Academy Elementary is operated as a private school; Mount Vernon Academy High School and Mount Vernon Seventh-Day Adventist Elementary School are operated through the Seventh-Day Adventist Church. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three organizations, which, are defined as a joint venture, a jointly governed organization, and an insurance purchasing pool. These organizations include the Tri-Rivers Educational Computer Association, Knox County Career Center, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mount Vernon City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

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.

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).

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

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 are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds- Internal service funds account 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

Mount Vernon City School District
Knox County

Notes to the General Purpose Financial Statements
June 30, 1999

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 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 proprietary funds and nonexpendable 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 retained earnings components. Proprietary and 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.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types 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. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 primary level of budgetary control is at the fund level. 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.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

By no later than January 20, the Board adopted budget is filed with the Knox 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.

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, or alter total function appropriations within a fund, or alter object appropriations within functions, 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.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

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.

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 Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund 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 STAR Ohio. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute based upon School District policy.

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.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

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. Fixed assets utilized in the proprietary funds are capitalized in the fund. 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 five hundred 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. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

G. 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Eisenhower Grant
- Venture Capital
- Auxiliary Services
- Education Management Information Systems
- Public School Preschool
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Goals 2000 Intervention
- Professional Development Block Grant

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 44 percent of the School District's operating revenue during the 1999 fiscal year.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

H. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

I. 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, except certified employees, after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 10 years of service and at least 50 years of age. The District records a liability for certified employees after 15 years of current service and at least 40 years of age. 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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

J. 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, 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. Bonds, 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 require 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 split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

M. Fund Balance Reserves

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

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

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (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 - ACCOUNTABILITY

At June 30, 1999, the Disadvantaged Pupil Impact Aid and Miscellaneous Federal Grant funds had deficit fund balances of \$7,888 and \$397, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 - Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types 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).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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
Budget Basis	(\$168,663)	\$99,931	\$150,887	(\$545,082)	(\$401)
Adjustments for:					
Revenue Accruals	161,957	(65)	(55,147)	(34,509)	0
Expenditure Accruals	(276,170)	(5,799)	0	(61,547)	40
Other Sources/Uses	(35,000)	35,000	0	0	0
Encumbrances	667,338	132,089	0	425,828	55
GAAP Basis	<u>\$349,462</u>	<u>\$261,156</u>	<u>\$95,740</u>	<u>(\$215,310)</u>	<u>(\$306)</u>

NOTE 5 - 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 withdrawal on demand, including negotiable

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 the 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

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described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAR Ohio).

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.

Funds invested by fiscal agents are determined by trust agreements and bond indentures. Like the cash invested by the District Treasurer, eligible investments include U.S. government obligations, U.S. government agencies, and certificate of deposit.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

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 \$430,626 and the bank balance was \$643,884. Of the bank balance, \$100,000 was covered by federal depository insurance and \$543,884 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an

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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 deferred compensation and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
STAR Ohio	\$12,759,758	\$12,759,758
Totals	\$12,759,758	\$12,759,758

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NOTE 6 - 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 Knox County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 2000 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 \$3,925,566 in the General Fund, \$308,752 in the Bond Retirement Debt Service Fund and \$176,430 in the Permanent Improvement Capital Projects Fund.

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

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	Amount
Agricultural/Residential and Other Real Estate	\$282,509,830
Public Utility	29,391,890
Tangible Personal Property	84,343,144
Total Assessed Value	\$396,244,864
Tax rate per \$1,000 of assessed valuation	\$39.87

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent billings for user charged services, and student fees), interfund, and intergovernmental grants. 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 principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$12,096,826
Accounts	8,813
Special Revenues	
Accounts	100
Debt Service Fund	
Taxes	898,704
Capital Project Funds	
Taxes	573,337
Enterprise Funds	
Accounts	-255
Total Receivables	\$13,578,035

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$478,631
Less: Accumulated Depreciation	(234,495)
Net Fixed Assets	\$244,136

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$632,033	\$0	\$0	\$632,033
Buildings and Improvements	17,411,400	0	0	17,411,400
Furniture and Equipment	4,641,784	439,440	0	5,081,224
Vehicles	1,074,450	6,200	0	1,080,650
Totals	<u>\$23,759,667</u>	<u>\$445,640</u>	<u>\$0</u>	<u>\$24,205,307</u>

NOTE 9 - RISK MANAGEMENT

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's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$1,000	\$54,821,300
Inland Marine Coverage	1,000	319,900
Automobile Liability		2,000,000
General Liability		
Per occurrence		1,000,000
Per year		5,000,000

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

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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 17). 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.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District pays a monthly premiums to Benefit Services, a third party administrator, who in turn pays the claims for the School District. The claims liability of \$346,735 reported in the internal service fund at June 30, 1999 is based on an estimate 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	Claim Payments	Balance at End of Year
1998	\$309,484	\$1,320,686	\$1,393,653	\$236,517
1999	\$236,517	\$2,060,855	\$1,950,637	\$346,735

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NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Mount Vernon City School 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 3307 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-363.

Plan members are required to contribute 9 percent of their annual covered salary and the Mount Vernon City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$386,091, \$328,775, and \$266,730, respectively; 54 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$177,384 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.

B. State Teachers Retirement System

The Mount Vernon City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS, 275 E. Broad St., Columbus, Ohio 43215-3771, or by calling (614)-227-4090.

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Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,696,384, \$1,536,650, and \$1,415,760 respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$285,732 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary 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 costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

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The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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 the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. 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 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1998, as certified to your district by SERS.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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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 a maximum of 220 days for certificated and classified personnel and 260 days for school administrators and other administrators. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for classified and certificated employees, 50 days for school administrators and 46 days for other administrators.

B. Life Insurance

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment and furniture and fixtures. 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 governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$175,222. 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 \$41,653 in the governmental funds

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.

Fiscal Year Ending June 30,	GLIDAG
2000	\$42,198
2001	11,004
2002	10,335
Total	\$63,537
Less: Amount Representing Interest	4,402
Present Value of Net Minimum Lease Payments	\$59,135

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NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance At 07/01/98	Additions	Deductions	Balance at 06/30/99
General Obligation Bonds	\$9,660,000	\$0	\$125,000	\$9,535,000
General Obligation Bonds	600,000	0	100,000	500,000
Energy Conservation Loan	222,270	0	74,090	148,180
Long-Term Bonds & Loan	\$10,482,270	\$0	\$299,090	\$10,183,180
Capital Leases	100,788	0	41,653	59,135
Pension Obligation	143,042	3,553	0	146,595
Compensated Absences	1,019,911	100,923	0	1,120,834
Total Long-Term Obligations	<u>\$11,746,011</u>	<u>\$104,476</u>	<u>\$340,743</u>	<u>\$11,509,744</u>

General Obligation Bonds - In December 1993, the Mount Vernon City School District issued voted general obligation bonds for school buildings and improvements. The bonds were issued for a ten year period with final maturity at December 2003, with an interest rate of 4.356%. The bonds will be retired from the debt service fund.

General Obligation Bonds - In May 1994, the Mount Vernon City School District issued general obligation bonds for the school buildings and improvements. The bonds were issued for a twenty-six year period with final maturity at June 2020, with an interest rate of 6.329%. The bonds will be retired from the debt service fund.

Energy Conservation Loan - In May 1991, the Mount Vernon City School District issued general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2000, with an interest rate of 6.34%. The loan will be retired from the debt service fund.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$25,627,038 with an unvoted debt margin of \$396,245 at June 30, 1999.

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

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$324,090	\$627,321	\$951,411
2001	339,090	609,907	948,997
2002	280,000	591,952	871,952
2003	295,000	577,295	872,295
2004	305,000	561,692	866,692
2005-2009	1,825,000	2,524,233	4,349,233
2010-2014	2,490,000	1,808,138	4,298,138
2015-2019	3,495,000	784,106	4,279,106
2020	830,000	24,278	854,278
Total	\$10,183,180	\$8,108,922	\$18,292,102

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Mount Vernon City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$497,844	\$95,704	\$593,548
Depreciation Expense	35,302	0	35,302
Operating (Loss)	(291,766)	(25,981)	(317,747)
Donated Commodities	32,111	0	32,111
Operating Grants	307,474	0	307,474
Interest	9,795	0	9,795
Net Income (Loss)	57,615	(25,981)	31,634
Net Working Capital	243,208	63,937	307,145
Total Assets	540,864	67,989	608,853
Total Liabilities	53,520	4,052	57,572
Total Equity	487,344	63,937	551,281

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NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association - The Tri-Rivers Educational Computer Association (TRECA) is a non-for-profit computer service bureau owned and operated by public school districts in the Ohio counties of Delaware, Marion, Morrow, Wyandot, Knox and Muskingum. The primary function of TRECA is to provide data processing services to the member districts in administrative areas with the major emphasis being placed upon accounting, inventory control and payroll services. Other areas of service provided by TRECA include career guidance services, handicapped student tracking, professional development and technical services, and limited cooperative purchasing. Tri-Rivers JVSD is one of TRECA's member districts and acts as the fiscal agent for TRECA.

Knox County Career Center - The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Knox County Career Center, Tracey Elliot, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

NOTE 17 - 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 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.

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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 GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 18 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 19 - 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.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$117,957	
Current Year Set-aside Requirement	309,848	309,848	154,924	
Current Year Offsets	(59,685)	0	0	
Qualifying Disbursements	(430,329)	(790,860)	0	
Total	<u>(\$180,166)</u>	<u>(\$481,012)</u>	<u>\$272,881</u>	
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$272,881</u>	
Amount restricted for Budget Stabilization				<u>\$272,881</u>
Total Restricted Assets				<u>\$272,881</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside 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 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 Ohio General Assembly 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 this School District. During the fiscal year ended June 30, 1999, the School District received \$8,277,922 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the

Mount Vernon City School District
Knox County
Notes to the General Purpose Financial Statements
June 30, 1999

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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Mount Vernon City School District
Mount Vernon, Ohio

We have audited the general purpose financial statements of Mount Vernon City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 11, 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 Mount Vernon City 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 a few instances of noncompliance that we have reported to the district's management in a separate letter dated February 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mount Vernon City 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 function. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a few matters involving internal control over financial reporting that we have reported to the district's management in a separate letter dated February 11, 2000.

This report is intended solely for the information and use of management, members of the board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Zanesville, Ohio
February 11, 2000

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Norman
Jones
Enlow
& Co.

Certified Public
Accountants

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

Board of Education
Mount Vernon City School District
Mount Vernon, Ohio

Compliance

We have audited the compliance of Mount Vernon City 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 each of its major federal programs for the year ended June 30, 1999. Mount Vernon City School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mount Vernon City School District's management. Our responsibility is to express an opinion on Mount Vernon City 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Vernon City 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 Mount Vernon City School District's compliance on those requirements.

In our opinion, Mount Vernon City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Mount Vernon City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of the laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mount Vernon City 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 control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, members of the board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Norman Jones Enlow & Co.

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February 11, 2000
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MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY
JUNE 30, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 .505

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)(iii)	Were there any other reportable control weakness conditions reported at the financial level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance 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):	Nutrition Cluster: Food Distribution CFDA #10.550; School Breakfast CFDA #10.553; National School Lunch CFDA #10.555; Special Milk CFDA #10.556. Special Education Cluster: Special Education Grants to States CFDA #84.027; Special Education - Preschool Grants CFDA #84.173.
(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**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A
CFDA Title and Number	N/A
Federal Award Number / Year	N/A
Federal Agency	N/A
Pass-Through Agency	N/A

MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
For the Year Ended June 30, 1999

Federal Grantor/ Pass-Through Agency/ Programs Title	CFDA Number	Pass-through Number	Receipts
United States Department of Agriculture/ Ohio Department of Education			
Food Distribution	10.550		\$ -
National School Breakfast Program	10.553		31,553
National School Lunch Program	10.555		208,302
Special Milk Program	10.556		4,652
Total United States Department of Agriculture - Nutrition Cluster			<u>244,507</u>
United States Department of Education/ Ohio Department of Education			
Title I Grants to Local Educational Agencies (Title I of ESEA)	84.010	044420-C1-S1	997,953
Special Education Grants to States (IDEA Part B)	84.027	044420-6B-SF	314,096
Special Education - Preschool Grant	84.173	044420-PG-S1	21,294
			<u>335,390</u>
Drug Free Schools Grant	84.186	044420-DR-S1	23,593
Partnership Grant	84.276	044420-G2-SP	-
Eisenhower Professional Development - State Grant	84.281	044420-MS-S1	21,444
Innovative Education Program Strategies	84.298	044420-C2-S1	16,381
			<u>1,394,761</u>
			<u>\$ 1,639,268</u>

<u>In-Kind Receipts</u>	<u>Disbursements</u>
\$ 36,390	\$ 32,111
-	31,553
-	208,302
-	4,652
<u>36,390</u>	<u>276,618</u>
-	809,678
-	267,157
-	29,659
<u>-</u>	<u>296,816</u>
-	680
-	575
-	44,115
<u>-</u>	<u>22,544</u>
<u>-</u>	<u>1,174,408</u>
<u>\$ 36,390</u>	<u>\$ 1,451,026</u>

See notes to Schedule of Federal Awards Expenditures

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

GENERAL COMMENTS

District personnel were cooperative and available for questions during regular work hours.

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

CONCLUSION STATEMENT

School district officials waived a formal exit conference. A draft copy of the audit report, including citations and recommendations, was provided to Nancy Sinclair, Treasurer. She was informed that the district had five days to respond to or contest, in writing, the report contents. Written responses were not received.



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MOUNT VERNON CITY SCHOOL DISTRICT

KNOX 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

Date: MAY 9, 2000