# MID-EAST OHIO VOCATIONAL SCHOOL DISTRICT
# MUSKINGUM COUNTY

## SINGLE AUDIT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2000

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

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

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Mid-East Ohio Vocational School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 made by management, as well as evaluating the overall general purpose 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 Mid-East Ohio Vocational School District, Muskingum County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and non-expendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

**Jim Petro**
Auditor of State

December 20, 2000

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

**COMBINED BALANCE SHEET**
**ALL FUND TYPES AND ACCOUNT GROUPS**
**JUNE 30, 2000**

| | Governmental Fund Types | | |
|---|---|---|---|
| | General | Special Revenue | Capital Projects |
| **Assets and Other Debits:** | | | |
| **Assets:** | | | |
| Equity in Pooled Cash and Cash Equivalents | $2,185,305 | $624,514 | $1,300,438 |
| Investments | 1,484,450 | | 487,650 |
| Receivables: | | | |
| Taxes | 4,480,260 | | |
| Accounts | 530 | 46,433 | |
| Intergovernmental | 5,000 | 284,588 | 89,410 |
| Interfund | 228,251 | | |
| Due from Other Funds | | | |
| Prepaid Items | 37,886 | 2,858 | 2,068 |
| Materials and Supplies Inventory | 76,836 | 11,970 | |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 173,668 | | |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | | | |
| **Other Debits:** | | | |
| Amount to be Provided from General Government Resources | | | |
| **Total Assets and Other Debits** | **$8,672,186** | **$970,363** | **$1,879,566** |

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | |
|---|---|---|---|---|
| Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Obligations | Totals (Memorandum Only) |
| $499,170 | $107,354 | $ | $ | $4,716,781 |
| | 460,809 | | | 2,432,909 |
| | | | | 4,480,260 |
| | | | | 46,963 |
| | | | | 378,998 |
| | | | | 228,251 |
| | | | | 42,812 |
| | | | | 88,806 |
| | | | | 173,668 |
| | | 12,834,142 | | 12,834,142 |
| | | | 939,388 | 939,388 |
| **$499,170** | **$568,163** | **$12,834,142** | **$939,388** | **$26,362,978** |

(continued)

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

**COMBINED BALANCE SHEET**
**ALL FUND TYPES AND ACCOUNT GROUPS**
**JUNE 30, 2000**
**(Continued)**

| | Governmental Fund Types | | |
|---|---|---|---|
| | General | Special Revenue | Capital Projects |
| **Liabilities, Fund Equity and Other Credits:** | | | |
| **Liabilities:** | | | |
| Accounts Payable | $2,268 | $4,754 | |
| Accrued Wages Payable | 570,263 | 90,970 | |
| Compensated Absences Payable | 21,372 | 5,222 | |
| Interfund Payable | | 228,251 | |
| Intergovernmental Payable | 103,925 | 22,610 | |
| Deferred Revenue | 3,900,936 | 260,828 | 89,410 |
| Due to Students | | | |
| Claims Payable | | | |
| Accrued Interest Payable | 1,673 | | |
| Capital Leases Payable | | | |
| School Facilities Loan Payable | | | |
| Energy Conservation Loan Payable | 330,000 | | |
| Total Liabilities | 4,930,437 | 612,635 | 89,410 |
| **Fund Equity and Other Credits:** | | | |
| Investment in General Fixed Assets | | | |
| Retained Earnings: | | | |
| Unreserved (Deficits) | | | |
| Fund Balance: | | | |
| Reserved for Encumbrances | 12,974 | 6,723 | |
| Reserved for Inventory | 76,836 | 11,970 | |
| Reserved for Property Taxes | 579,324 | | |
| Reserved for Unclaimed Moneys | 5,256 | | |
| Reserved for Endowment | | | |
| Reserved for Budget Stabilization | 128,102 | | |
| Unreserved: | | | |
| Designated for Budget Stabilization | 45,566 | | |
| Undesignated (Deficit) | 2,893,691 | 339,035 | 1,790,156 |
| Total Fund Equity (Deficit) and Other Credits | 3,741,749 | 357,728 | 1,790,156 |
| **Total Liabilities, Fund Equity and Other Credits** | **$8,672,186** | **$970,363** | **$1,879,566** |

*See accompanying notes to the general purpose financial statements.*

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | |
|---|---|---|---|---|
| Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Obligations | Totals (Memorandum Only) |
| | | | | $7,022 |
| | | | | 661,233 |
| | | | 442,004 | 468,598 |
| | | | | 228,251 |
| | | | 12,558 | 139,093 |
| | | | | 4,251,174 |
| | 32,581 | | | 32,581 |
| 132,440 | | | | 132,440 |
| | | | | 1,673 |
| | | | 24,474 | 24,474 |
| | | | 460,352 | 460,352 |
| | | | | 330,000 |
| 132,440 | 32,581 | | 939,388 | 6,736,891 |
| | | 12,834,142 | | 12,834,142 |
| 366,730 | (16,372) | | | 350,358 |
| | | | | 19,697 |
| | | | | 88,806 |
| | | | | 579,324 |
| | | | | 5,256 |
| | 460,809 | | | 460,809 |
| | | | | 128,102 |
| | | | | 45,566 |
| | 91,145 | | | 5,114,027 |
| 366,730 | 535,582 | 12,834,142 | | 19,626,087 |
| **$499,170** | **$568,163** | **$12,834,142** | **$939,388** | **$26,362,978** |

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Governmental Fund Types | | | Fiduciary Fund Type | |
|---|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | Expendable Trust | Totals (Memorandum Only) |
| **Revenues:** | | | | | |
| Taxes | $3,366,378 | $ | $0 | $ | $3,366,378 |
| Intergovernmental | 4,003,068 | 1,818,530 | 81,551 | | 5,903,149 |
| Interest | 201,957 | 506 | 96,416 | 4,734 | 303,613 |
| Increase in Fair Value of Investment | 12,276 | | 4,257 | | 16,533 |
| Tuition and Fees | 4,509 | 872,678 | | | 877,187 |
| Rent | 1,519 | | | | 1,519 |
| Customer Services | 193,748 | 175,734 | | | 369,482 |
| Miscellaneous | 95,669 | 64,402 | | | 160,071 |
| Total Revenues | 7,879,124 | 2,931,850 | 182,224 | 4,734 | 10,997,932 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 755,819 | 13,194 | | | 769,013 |
| Vocational | 3,388,383 | 631,870 | | | 4,020,253 |
| Adult/Continuing | 4,018 | 1,193,277 | | | 1,197,295 |
| Support Services: | | | | | |
| Pupils | 444,598 | 215,847 | | | 660,445 |
| Instructional Staff | 129,279 | 428,631 | | | 557,910 |
| Board of Education | 39,304 | | | | 39,304 |
| Administration | 764,123 | 30,453 | | | 794,576 |
| Fiscal | 451,570 | 36,707 | | | 488,277 |
| Business | 104,278 | | | | 104,278 |
| Operation and Maintenance of Plant | 865,041 | | | | 865,041 |
| Pupil Transportation | 31,960 | | | | 31,960 |
| Central | 17,992 | 206,795 | | | 224,787 |
| Operation of Non-Instructional Services | 40 | 245,514 | | 8,891 | 254,445 |
| Extracurricular Activities | 3,374 | 2,274 | | | 5,648 |
| Capital Outlay | | 63,183 | 348,251 | | 411,434 |
| Debt Service: | | | | | |
| Principal Retirement | 19,348 | | 65,765 | | 85,113 |
| Interest and Fiscal Charges | 28,112 | | | | 28,112 |
| Total Expenditures | 7,047,239 | 3,067,745 | 414,016 | 8,891 | 10,537,891 |
| Excess of Revenues Over (Under) Expenditures | 831,885 | (135,895) | (231,792) | (4,157) | 460,041 |
| **Other Financing Sources (Uses):** | | | | | |
| Proceeds from Sale of Fixed Assets | | | 6,770 | | 6,770 |
| Operating Transfers In | | 260,810 | 575,765 | | 836,575 |
| Operating Transfers Out | (836,575) | | | | (836,575) |
| Total Other Financing Sources (Uses) | (836,575) | 260,810 | 582,535 | 0 | 6,770 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (4,690) | 124,915 | 350,743 | (4,157) | 466,811 |
| Fund Balances (Deficit) at Beginning of Year | 3,752,539 | 229,063 | 1,439,413 | 77,268 | 5,498,283 |
| Decrease in Reserve for Inventory | (6,100) | 3,750 | | | (2,350) |
| **Fund Balances at End of Year** | **$3,741,749** | **$357,728** | **$1,790,156** | **$73,111** | **$5,962,744** |

*See accompanying notes to the general purpose financial statements.*

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | General | | |
|---|---|---|---|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| **Revenues:** | | | |
| Taxes | $3,799,791 | $3,798,511 | ($1,280) |
| Intergovernmental | 4,067,899 | 4,007,192 | (60,707) |
| Interest | 200,000 | 212,003 | 12,003 |
| Tuition and Fees | 4,500 | 4,509 | 9 |
| Rent | 1,500 | 1,519 | 19 |
| Customer Services | 185,710 | 188,748 | 3,038 |
| Miscellaneous | 89,200 | 96,794 | 7,594 |
| Total Revenues | 8,348,600 | 8,309,276 | (39,324) |
| **Expenditures:** | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 812,869 | 743,813 | 69,056 |
| Vocational | 3,464,537 | 3,322,826 | 141,711 |
| Adult/Continuing | 15,838 | 4,016 | 11,822 |
| Support Services: | | | |
| Pupils | 460,740 | 442,071 | 18,669 |
| Instructional Staff | 202,523 | 132,586 | 69,937 |
| Board of Education | 77,980 | 45,921 | 32,059 |
| Administration | 805,310 | 757,404 | 47,906 |
| Fiscal | 494,841 | 454,904 | 39,937 |
| Business | 217,290 | 104,122 | 113,168 |
| Operation and Maintenance of Plant | 933,862 | 864,707 | 69,155 |
| Pupil Transportation | 40,074 | 31,696 | 8,378 |
| Central | 20,000 | 13,217 | 6,783 |
| Operation of Non-Instructional Services | 4,781 | 40 | 4,741 |
| Extracurricular Activities | 1,210 | 3,056 | (1,846) |
| Capital Outlay | | | |
| Debt Service: | | | |
| Principal Retirement | 19,348 | 19,348 | |
| Interest and Fiscal Charges | 2,925 | 2,925 | |
| Total Expenditures | 7,574,128 | 6,942,652 | 631,476 |
| Excess of Revenues Over (Under) Expenditures | 774,472 | 1,366,624 | 592,152 |
| **Other Financing Sources (Uses):** | | | |
| Refund of Prior Year Receipts | | (313) | (313) |
| Refund of Prior Year Expenditures | 38,000 | 38,409 | 409 |
| Proceeds from Sale of Fixed Assets | | | |
| Other Financing Sources | | 1,408 | 1,408 |
| Advances In | | 231,076 | 231,076 |
| Advances Out | | (225,251) | (225,251) |
| Operating Transfers In | | | |
| Operating Transfers Out | (777,882) | (836,575) | (58,693) |
| Total Other Financing Sources (Uses) | (739,882) | (791,246) | (51,364) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 34,590 | 575,378 | 540,788 |
| Fund Balances at Beginning of Year | 3,235,254 | 3,235,254 | |
| Prior Year Encumbrances Appropriated | 6,436 | 6,436 | |
| **Fund Balances (Deficits) at End of Year** | **$3,276,280** | **$3,817,068** | **$540,788** |

*See accompanying notes to the general purpose financial statements.*

(Continued)

| Special Revenue Funds | | | Debt Service Fund | | |
|---|---|---|---|---|---|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| | | | $140,771 | $140,771 | |
| 2,103,662 | 1,904,773 | (198,889) | | | |
| | 506 | 506 | | | |
| 747,815 | 846,518 | 98,703 | | | |
| 60,798 | 59,873 | (925) | | | |
| 2,912,275 | 2,811,670 | (100,605) | 140,771 | 140,771 | |
| 54,714 | 17,664 | 37,050 | | | |
| 683,704 | 628,686 | 55,018 | | | |
| 1,369,045 | 1,187,617 | 181,428 | | | |
| 225,113 | 204,115 | 20,998 | | | |
| 442,942 | 425,943 | 16,999 | | | |
| 32,735 | 30,291 | 2,444 | | | |
| 43,590 | 36,892 | 6,698 | | | |
| 212,081 | 207,145 | 4,936 | | | |
| 243,417 | 243,100 | 317 | | | |
| 3,000 | 2,274 | 726 | | | |
| | 63,183 | (63,183) | | | |
| | | | 115,000 | 115,000 | |
| | | | 25,771 | 25,771 | |
| 3,310,341 | 3,046,910 | 263,431 | 140,771 | 140,771 | |
| (398,066) | (235,240) | 162,826 | | | |
| 187,933 | 180,262 | (7,671) | | | |
| | 225,251 | 225,251 | | | |
| | (231,076) | (231,076) | | | |
| 263,596 | 260,810 | (2,786) | | | |
| 451,529 | 435,247 | (16,282) | | | |
| 53,463 | 200,007 | 146,544 | | | |
| 414,750 | 414,750 | | | | |
| 3,035 | 3,035 | | | | |
| **$471,248** | **$617,792** | **$146,544** | **$0** | **$0** | **$0** |

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**
**(Continued)**

| | Capital Projects Funds | | | Expendable Trust Fund | | |
|---|---|---|---|---|---|---|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| **Revenues:** | | | | | | |
| Taxes | | | | | $ | |
| Intergovernmental | 81,551 | 81,551 | | | | |
| Interest | 75,000 | 101,552 | 26,552 | 4,650 | 4,734 | 84 |
| Tuition and Fees | | | | | | |
| Rent | | | | | | |
| Customer Services | | | | | | |
| Miscellaneous | | | | | | |
| Total Revenues | 156,551 | 183,103 | 26,552 | 4,650 | 4,734 | 84 |
| **Expenditures:** | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | | | | | | |
| Vocational | | | | | | |
| Adult/Continuing | | | | | | |
| Support Services: | | | | | | |
| Pupils | | | | | | |
| Instructional Staff | | | | | | |
| Board of Education | | | | | | |
| Administration | | | | | | |
| Fiscal | | | | | | |
| Business | | | | | | |
| Operation and Maintenance of Plant | | | | | | |
| Pupil Transportation | | | | | | |
| Central | | | | | | |
| Operation of Non-Instructional Services | | | | 11,282 | 8,891 | 2,391 |
| Extracurricular Activities | | | | | | |
| Capital Outlay | 605,000 | 348,251 | 256,749 | | | |
| Debt Service: | | | | | | |
| Principal Retirement | 65,765 | 65,765 | | | | |
| Interest and Fiscal Charges | | | | | | |
| Total Expenditures | 670,765 | 414,016 | 256,749 | 11,282 | 8,891 | 2,391 |
| Excess of Revenues Over (Under) Expenditures | (514,214) | (230,913) | 283,301 | (6,632) | (4,157) | 2,475 |
| **Other Financing Sources (Uses):** | | | | | | |
| Refund of Prior Year Receipts | | | | | | |
| Refund of Prior Year Expenditures | | | | | | |
| Proceeds from Sale of Fixed Assets | | 6,770 | 6,770 | | | |
| Other Financing Sources | | | | | | |
| Advances In | | | | | | |
| Advances Out | | | | | | |
| Operating Transfers In | 575,765 | 575,765 | | | | |
| Operating Transfers Out | | | | | | |
| Total Other Financing Sources (Uses) | 575,765 | 582,535 | 6,770 | | | |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 61,551 | 351,622 | 290,071 | (6,632) | (4,157) | 2,475 |
| Fund Balances at Beginning of Year | 1,432,208 | 1,432,208 | | 77,267 | 77,267 | |
| Prior Year Encumbrances Appropriated | | | | | | |
| **Fund Balances (Deficits) at End of Year** | **$1,493,759** | **$1,783,830** | **$290,071** | **$70,635** | **$73,110** | **$2,475** |

(Continued)

| Totals (Memorandum Only) | | |
|---|---|---|
| Revised Budget | Actual | Variance Favorable (Unfavorable) |
| 3,940,562 | $3,939,282 | ($1,280) |
| 6,253,112 | 5,993,516 | (259,596) |
| 279,650 | 318,795 | 39,145 |
| 752,315 | 851,027 | 98,712 |
| 1,500 | 1,519 | 19 |
| 185,710 | 188,748 | 3,038 |
| 149,998 | 156,667 | 6,669 |
| 11,562,847 | 11,449,554 | (113,293) |
| | | |
| 867,583 | 761,477 | 106,106 |
| 4,148,241 | 3,951,512 | 196,729 |
| 1,384,883 | 1,191,633 | 193,250 |
| 685,853 | 646,186 | 39,667 |
| 645,465 | 558,529 | 86,936 |
| 77,980 | 45,921 | 32,059 |
| 838,045 | 787,695 | 50,350 |
| 538,431 | 491,796 | 46,635 |
| 217,290 | 104,122 | 113,168 |
| 933,862 | 864,707 | 69,155 |
| 40,074 | 31,696 | 8,378 |
| 232,081 | 220,362 | 11,719 |
| 259,480 | 252,031 | 7,449 |
| 4,210 | 5,330 | (1,120) |
| 605,000 | 411,434 | 193,566 |
| 200,113 | 200,113 | |
| 28,696 | 28,696 | |
| 11,707,287 | 10,553,240 | 1,154,047 |
| (144,440) | 896,314 | 1,040,754 |
| | | |
| 0 | (313) | (313) |
| 38,000 | 38,409 | 409 |
| 0 | 6,770 | 6,770 |
| 187,933 | 181,670 | (6,263) |
| 0 | 456,327 | 456,327 |
| 0 | (456,327) | (456,327) |
| 839,361 | 836,575 | (2,786) |
| (777,882) | (836,575) | (58,693) |
| 287,412 | 226,536 | (60,876) |
| | | |
| 142,972 | 1,122,850 | 979,878 |
| 5,159,479 | 5,159,479 | |
| 9,471 | 9,471 | |
| **$5,311,922** | **$6,291,800** | **$979,878** |

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

**COMBINED STATEMENT OF REVENUES**
**EXPENSES AND CHANGES IN RETAINED EARNINGS**
**PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Proprietary Fund Type | Fiduciary Fund Type | |
|---|---|---|---|
| | Internal Service | Non-Expendable Trust | Totals (Memorandum Only) |
| **Operating Revenues:** | | | |
| Charges for Services | $681,785 | $ | $681,785 |
| Interest | 0 | 1,408 | 1,408 |
| Total Operating Revenues | 681,785 | 1,408 | 683,193 |
| **Operating Expenses:** | | | |
| Salaries | 0 | | 0 |
| Fringe Benefits | 0 | | 0 |
| Purchased Services | 81,810 | 0 | 81,810 |
| Cost of Sales | 0 | | 0 |
| Claims | 717,971 | | 717,971 |
| Other | | 3,200 | 3,200 |
| Total Operating Expenses | 799,781 | 3,200 | 802,981 |
| Operating Loss | (117,996) | (1,792) | (119,788) |
| **Non-Operating Revenues:** | | | |
| Interest Income | 15,519 | | 15,519 |
| Increase in Fair Value of Investment | 0 | 19,826 | 19,826 |
| Total Non-Operating Revenues | 15,519 | 19,826 | 35,345 |
| Net Income (Loss) | (102,477) | 18,034 | (84,443) |
| Retained Earnings (Deficits) at Beginning of Year | 469,207 | 444,437 | 913,644 |
| **Retained Earnings (Deficits) at End of Year** | **$366,730** | **$462,471** | **$829,201** |

*See accompanying notes to the general purpose financial statements.*

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS) PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Internal Service Funds | | |
|---|---|---|---|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| **Revenues:** | | | |
| Charges for Services | 676,000 | 681,785 | 5,785 |
| Interest Income | | | |
| Total Revenues | 676,000 | 681,785 | 5,785 |
| **Expenses:** | | | |
| Purchased Services | 698,400 | 718,156 | (19,756) |
| Other | | | |
| Total Expenses | 698,400 | 718,156 | (19,756) |
| Excess of Revenues Under Expenses | (22,400) | (36,371) | (13,971) |
| **Non-Operating Revenues and Expenses:** | | | |
| Interest | 17,300 | 15,345 | (1,955) |
| Excess of Revenues Over (Under) Expenses, Advances, and Transfers | (5,100) | (21,026) | (15,926) |
| Fund Equity at Beginning of Year | 520,022 | 520,022 | |
| Prior Year Encumbrances Appropriated | | | |
| **Fund Equity (Deficit) at End of Year** | **$514,922** | **$498,996** | **($15,926)** |

*See accompanying notes to the general purpose financial statements.*

| Non-Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|---|---|---|---|---|---|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| | | | 676,000 | 681,785 | 5,785 |
| 1,400 | 1,608 | 208 | 1,400 | 1,608 | 208 |
| 1,400 | 1,608 | 208 | 677,400 | 683,393 | 5,993 |
| | | | 698,400 | 718,156 | (19,756) |
| 3,200 | 3,200 | | 3,200 | 3,200 | |
| 3,200 | 3,200 | | 701,600 | 721,356 | (19,756) |
| (1,800) | (1,592) | 208 | (24,200) | (37,963) | (13,763) |
| | | | 17,300 | 15,345 | (1,955) |
| (1,800) | (1,592) | 208 | (6,900) | (22,618) | (15,718) |
| 38,167 | 38,167 | | 558,189 | 558,189 | |
| **$36,367** | **$36,575** | **$208** | **$551,289** | **$535,571** | **($15,718)** |

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

**COMBINED STATEMENT OF CASH FLOWS**
**PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Proprietary Fund Type | Fiduciary Fund Type | |
|---|---|---|---|
| | Internal Service | Non-Expendable Trust | Totals (Memorandum Only) |
| **Increase (Decrease) in Cash and Cash Equivalents:** | | | |
| **Cash Flows from Operating Activities:** | | | |
| Cash Received from Quasi-External Transactions with Other Funds | $681,785 | | $681,785 |
| Cash Payments to Suppliers for Goods and Services | (81,810) | | (81,810) |
| Cash Payments for Scholarships | | (3,200) | (3,200) |
| Cash Payments for Employee Benefits | | | 0 |
| Cash Payments for Claims | (636,346) | | (636,346) |
| Net Cash Used for Operating Activities | (36,371) | (3,200) | (39,571) |
| **Cash Flows from Investing Activites** | | | |
| Interest on Investments | 15,519 | 1,407 | 16,926 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (20,852) | (1,793) | (22,645) |
| Cash and Cash Equivalents at Beginning of Year | 520,022 | 3,455 | 523,477 |
| **Cash and Cash Equivalents at End of Year** | **$499,170** | **$1,662** | **$500,832** |
| **Reconciliation of Operating Loss to Net Cash Used for Operating Activities:** | | | |
| Operating Loss | ($117,996) | ($1,793) | ($119,789) |
| **Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:** | | | |
| Interest | | (1,407) | (1,407) |
| Changes in Assets and Liabilities: | | | |
| Decrease in Claims Payable | 81,625 | | 81,625 |
| Total Adjustments | 81,625 | (1,407) | 80,218 |
| **Net Cash Used for Operating Activities** | **($36,371)** | **($3,200)** | **($39,571)** |

*See accompanying notes to the general purpose financial statements.*

## NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District includes thirteen member schools as follows: Caldwell Exempted Village School District (Noble), Cambridge City School District (Guernsey), Crooksville Exempted Village School District (Perry), East Guernsey Local School District (Guernsey), East Muskingum Local School District (Muskingum), Franklin Local School District (Muskingum), Maysville Local School District (Muskingum), Noble Local School District (Noble), Northern Local School District (Perry), Rolling Hills Local School District (Guernsey), Tri-Valley Local School District (Muskingum), West Muskingum Local School District (Muskingum), and Zanesville City School District (Muskingum).

The School District operates under a thirteen member appointed Board of Education and is responsible for the provision of public education to residents of the School District. The Board consists of one member from each of the above districts, with the exception of Northern Local School District's representative, which is appointed from the Perry County Board of Education. The above districts cannot directly impose their will on the School District; therefore, the School District is a jointly governed organization of the above districts. No separate governmental units meet the criteria for inclusion as a component unit.

The School District is associated with one other organization which is defined as a jointly governed organization, the Ohio's Mid-Eastern Regional Education Services Agency. The District is also associated with an insurance purchasing pool, the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 in the general purpose financial statements.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mid-East Ohio Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to

its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

## A. Basis Of Presentation - Fund Accounting

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

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

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

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

*General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

*Internal Service Fund* - The Internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

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

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

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

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Non-Expendable 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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

## C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the

appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

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

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

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

*Estimated Resources:*
Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

*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 level of expenditures, which is the legal level 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

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

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

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

## D. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including the proprietary fund, are maintained in this account or temporarily used to purchase short term investments. Individual fund 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 2000, investments were limited to stocks, money market accounts, sweep accounts, STAR Ohio, and Certificates of Deposit.

All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost, except for Federal Agency Securities and the investments

of the Rogge Trust Scholarship Non-Expendable Trust Fund, which are stated at market. Investment earnings are allocated as authorized by State statute. Based upon Board Policy, the District distributes interest to the General Fund, Permanent Improvement Fund, Fox Scholarship Expendable Trust Fund, Rogge Scholarship Non-Expendable Trust Fund, Food Service Fund and Student Activity Agency Fund(s). Each fund must have an end of the month balance of $5,000 to be credited with interest.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to $201,957, which includes $76,441 assigned from other School District funds.

## E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve, and may also include amounts for the purchase of textbooks and instructional materials, and for the construction or acquisition of capital improvements. The reserve for budget stabilization consists of a refund in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 20 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

## F. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

## G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

## H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

## I. Intergovernmental Revenues

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

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

*Entitlements*
- *General Fund*
  - State Foundation Program

*Non-Reimbursable Grants*
- *Special Revenue Funds*
  - Vocational Education - Carl Perkins
  - Adult Basic and Literacy Education
  - Title VI
  - Educational Management Information System
  - Interactive Video Distance Learning
  - Public School Preschool
  - School Net
  - Teacher Development
  - National School Lunch Program
  - Government Donated Commodities

*Agency Funds*
- Pell Grants

*Reimbursable Grants*
- *Capital Project Fund*
  - Vocational Education Equipment - Matching Funds

Grants and entitlements amounted to approximately 50 percent of governmental fund revenue during the 2000 fiscal year.

## J. Interfund Assets/Liabilities

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

## K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District and who are within 10 years of retirement. 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.

## L. Accrued Liabilities and Long-Term Obligations

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

expendable financial resources. Capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP

reporting requirements, the School District's debt service fund has been combined with the General Fund. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

## M. Interfund Transactions

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

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

## N. 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 spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, endowments, debt service, unclaimed monies, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

## O. Estimates

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

## P. Designated Fund Balance

The School District has a fund balance designation on the balance sheet for additional money above the reserve for budget stabilization required by State statute.

### Q. Total Columns on General Purpose Financial Statements

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

## NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

### A. Accountability

At June 30, 2000, the following funds had deficit balances:

| | |
|---|---|
| Preschool Grant | $420 |
| ABLE Grant | 83,444 |
| Vocational Education Grant | 119,854 |
| Professional Development Grant | 4,754 |
| Title VI Grant | 1,234 |

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

### B. Statutory Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

| | |
|---|---|
| Food Service | $743 |
| Fox Scholarship Expendable Trust Fund | 3,351 |
| Self-Insurance Internal Service Fund | 19,756 |

## NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) -All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Non-Expendable Trust Fund 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

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

| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust |
|---|---|---|---|---|---|
| GAAP Basis | ($4,690) | $124,915 | $0 | $350,743 | ($4,157) |
| Revenue Accruals | 610,740 | 60,082 | 0 | 879 | 0 |
| Expenditure Accruals | 92,795 | 27,558 | 0 | 0 | 0 |
| Encumbrances | (13,708) | (6,723) | 0 | 0 | 0 |
| Debt Service Principal | 0 | 0 | (115,000) | 0 | 0 |
| Interest & Fiscal Charges | 25,187 | 0 | (25,771) | 0 | 0 |
| Advances-In | 231,076 | 225,251 | 0 | 0 | 0 |
| Advances-Out | (225,251) | (231,076) | 0 | 0 | 0 |
| Adjustment for Reclassification from Debt Service to General Fund | (140,771) | 0 | 140,771 | 0 | 0 |
| Budget Basis | $575,378 | $200,007 | $0 | $351,622 | ($4,157) |

Net Income/Excess of Revenues Over (Under) Expenses
Proprietary Fund Type and Similar Trust Fund

| | Internal Service | Nonexpendable Trust |
|---|---|---|
| GAAP Basis | ($102,477) | $18,034 |
| Revenue Accrual | (174) | (19,626) |
| Expense Accrual | 81,625 | 0 |
| Budget Basis | ($21,026) | ($1,592) |

## 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to

principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

During fiscal year 2000, the School District's investments were limited to overnight repurchase agreements, stocks, federal agency securities, and STAR Ohio.

At fiscal year end, the School District had $543 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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 ($160,410). The bank balance was $354,862. Of the bank balance:

1. $100,789 was covered by federal depository insurance; and

2. $254,073 was uninsured and uncollateralized even though these deposits were covered by collateral held in a collateral pool securing all public deposits of the pledging financial institution. Although all state statutory requirements for the collateralization of deposits had been followed, noncompliance with federal requirements could potentially prevent the School District from exercising a successful claim as a secured creditor against FDIC and render them a general creditor for the uncollateralized amount.

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

| Investments | Category 1 | Category 2 | Category 3 | Carrying Value | Market Value |
|---|---|---|---|---|---|
| Repurchase Agreements | $0 | $0 | $2,669,316 | $2,669,316 | $2,669,316 |
| Federal Home Loan Mortgage Corporation | 0 | 994,900 | 0 | 994,900 | 994,900 |
| Federal National Mortgage Association | 0 | 977,200 | 0 | 977,200 | 977,200 |
| Sweep Account | 0 | 433,000 | 0 | 433,000 | 433,000 |
| Massachusetts Investment. Trust | 460,809 | 0 | 0 | 460,809 | $460,809 |
| STAR Ohio | | | | 1,948,000 | 1,948,000 |
| Totals | | | | $7,483,225 | $7,483,225 |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation

between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|---|---|---|
| GASB Statement 9 | $4,890,449 | $2,432,909 |
| Undeposited Cash | (543) | 0 |
| Investments: | | |
| Repurchase Agreement | (2,669,316) | 2,669,316 |
| Sweep Account | (433,000) | 433,000 |
| STAR Ohio | (1,948,000) | 1,948,000 |
| GASB Statement 3 | ($160,410) | $7,483,225 |

## 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 Muskingum, Perry, Guernsey, Noble, Coshocton, Licking, Washington, Monroe, and Fairfield Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, 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, 2000. 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, 2000, was $579,324 in the General Fund. The amount available as an advance at June 30, 1999 was $1,152,228 in the General Fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

| | 1999 Second-Half Collections | | 2000 First-Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | $1,313,691,890 | 73.79% | $1,390,879,050 | 75.15% |
| Public Utility | 227,248,930 | 12.76% | 221,085,380 | 11.94% |
| Tangible Personal Property | 239,332,868 | 13.45% | 238,884,983 | 12.91% |
| Total Assessed Value | $1,780,273,688 | 100.00% | $1,850,849,413 | 100.00% |
| Tax rate per $1,000 of assessed valuation | $3.20 | | $3.20 | |

## NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, intergovernmental grants, and interest receivable. All receivables are considered collectible in full due to the ability to foreclose

for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principle items of intergovernmental receivables follows:

| | Amounts |
|---|---|
| General Fund - Mentor Reimbursement | $5,000 |
| *Special Revenue Funds:* | |
| Adult Ed. - Tuition and Reimbursements | 2,790 |
| Adult Basic & Literacy Ed. Grant | 99,294 |
| E-Rate Reimbursement | 2,185 |
| Vocational Education Grant | 180,319 |
| Total Special Revenue Funds | $284,588 |
| *Capital Project Fund:* | |
| Vocational Education Equipment Grant | $89,410 |
| Total Intergovernmental Receivables | $378,998 |

## NOTE 8 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

| Asset Category | Balance at 6/30/99 | Additions | Deletions | Balance at 6/30/00 |
|---|---|---|---|---|
| Land and Improvements | $333,075 | $0 | $0 | $333,075 |
| Buildings and Improvements | 8,923,879 | 0 | 0 | 8,923,879 |
| Furniture, Fixtures and Equipment | 2,951,775 | 140,155 | 75,632 | 3,016,298 |
| Vehicles | 574,480 | 0 | 13,590 | 560,890 |
| Totals | $12,783,209 | $140,155 | $89,222 | $12,834,142 |

## NOTE 9 - RISK MANAGEMENT

### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for liability insurance. Property and vehicle insurance are provided by Young Insurance Agency. Coverage provided collectively by both companies are as follows:

| | |
|---|---|
| Builders Risk (500 deductible) | $ 30,000 |
| Bldg and Contents-replacement cost ($1,000 deductible) | 23,164,101 |
| Inland Marine Coverage ($100 deductible) | 245,588 |
| Boiler and Machinery ($1,000 deductible) | 20,000,000 |
| Crime Insurance | 10,000 |
| Automobile Liability ($100 deductible) | 1,000,000 |
| General Liability | |
| Per occurrence | 2,000,000 |
| Total per year | $5,000,000 |

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

### B. Workers' Compensation

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

## C. Employee Medical Benefits

Health and dental coverage are provided through self-insurance internal service funds, administered by Medical Benefit Administrators. The School District pays into the health self-insurance internal service fund $513.00 for family coverage (90% of required premium) or $182.00 (90% of required premium) for individual coverage per month for certified employees and administrators and $506.90 for family coverage (89% of required premium) or $181.40 (90% of required premium) for individual coverage per month for classified employees. The School District pays into the dental self-insurance internal service fund $42.30 for family and single coverage (90% of required premium) for certified employees and administrators and $37.60 for classified employees family and single coverage (80% of required premium). These premiums are paid by the fund that pays the salary for the employee and is based on historical cost information. The claims liability of $132,440 reported in the internal service fund at June 30, 2000 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 | Claims Payments | Balance at End of Year |
|---|---|---|---|---|
| 1999 | $60,986 | $468,865 | $479,036 | $50,815 |
| 2000 | $50,815 | $717,971 | $636,346 | $132,440 |

## NOTE 10 - DEFINED BENEFIT PENSION PLANS

### A. State Teachers Retirement System

The Mid-East Ohio Vocational School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were $291,583, $276,990, and $446,269 respectively; 100 percent has been contributed for 1998 and 1999 fiscal years and 89 percent was contributed for 2000 fiscal year. $31,983 representing the unpaid contributions for fiscal year 2000, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2000, 5.50 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were $72,557, 93,255, and $117,563, respectively; 100 percent has been contributed for 1998 and 1999 fiscal years and 96 percent was contributed for 2000 fiscal year. $3,214 representing the unpaid contribution for fiscal year 2000, 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, 2000, five 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 School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

The STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled $388,777 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was $2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were $249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at $12,400. For the School District, the amount to fund health care benefits, including the surcharge, during the 2000 year equaled $32,041.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provided for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999, (the latest information available),

were $126,380,984 and the target level was $189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of $188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

## NOTE 12 - EMPLOYEE BENEFITS

### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year, earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment for up to one year's accrual plus 5 days. Administrators who work less than 260 days per year do not earn vacation time.

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

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

### B. Life Insurance

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

## NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of $90,355. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled $19,348 in the General Fund.

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, 2000.

| Fiscal Year Ending June 30, | General Long-Term Obligations Account Group |
|---|---|
| 2001 | $22,000 |
| 2002 | 3,576 |
| Total | 25,576 |
| Less: Amount Representing Interest | (1,102) |
| Present Value of Net Minimum Lease Payments | $24,474 |

## NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

| | Principal Outstanding 6/30/99 | Additions | Deductions | Principal Outstanding 6/30/00 |
|---|---|---|---|---|
| Bldg. Construction Assistance Loan 1992 Interest Free | $526,117 | $0 | $65,765 | $460,352 |
| Capital Leases | 43,822 | 0 | 19,348 | 24,474 |
| Compensated Absences | 407,384 | 91,070 | 56,450 | 442,004 |
| Intergovernmental Payable | 16,343 | 12,558 | 16,343 | 12,558 |
| Total General Long-Term Obligations | $993,666 | $103,628 | $157,906 | $939,388 |

The 1992 Building Construction Assistance Loan was used for construction projects at the Muskingum Perry and Guernsey Noble Career Centers and will be paid from the Classroom Facilities Capital Project Fund. Capital lease obligations will be paid from the general fund. The District will pay compensated absences and the intergovernmental payable of the fund from which employees are paid.

Principal payments to retire Building Assistance Loans outstanding at June 30, 2000, are as follows:

| Fiscal year Ending June 30 | Principal |
|---|---|
| 2001 | $65,765 |
| 2002 | 65,765 |
| 2003 | 65,765 |
| 2004 | 65,765 |
| 2005 | 65,765 |
| 2006-2007 | 131,527 |
| Total | $460,352 |

The School District's voted legal debt margin was $166,576,447 with an unvoted debt margin of $1,850,849 at June 30, 2000.

## NOTE 15 - NOTE ACTIVITY

The changes in the School District's note activity obligations during fiscal year 2000 were as follows:

| General Fund - Energy Conservation Notes: | Principal Outstanding 6/30/99 | Additions | Deductions | Principal Outstanding 6/30/00 |
|---|---|---|---|---|
| 1993 - 6.3% | $355,000 | $0 | $95,000 | $260,000 |
| 1993 - 5.675% | 90,000 | 0 | 20,000 | 70,000 |
| Total Notes Outstanding | $445,000 | $0 | $115,000 | $330,000 |

Principal and interest requirements to retire notes outstanding at June 30, 2000, are as follows:

| Fiscal year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2001 | $125,000 | $18,494 | $143,494 |
| 2002 | 135,000 | 10,633 | 145,633 |
| 2003 | 70,000 | 2,158 | 72,158 |
| Total | $330,000 | $31,285 | $361,285 |

## NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

| Type/Fund | Fund | Receivables Interfund | Payables Interfund |
|---|---|---|---|
| *General Fund:* | | $228,251 | $0 |
| *Special Revenue Funds:* | | | |
| Adult Basic & Literacy Ed. Grant | | 0 | 99,294 |
| Title VI Grant | | 0 | 1,235 |
| Vocational Education Grant | | 0 | 127,722 |
| Total All Funds | | $228,251 | $228,251 |

## NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

## NOTE 18 - 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.

## NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received $3,562,845 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized effects by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

## NOTE 20 - 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.

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

| | Textbooks | Capital Acquisition | Budget Stabilization | Totals |
|---|---|---|---|---|
| Set-aside balance as of June 30, 1999 | $0 | $0 | $106,550 | $106,550 |
| Current Year Set-aside Requirement | 196,727 | 196,727 | 21,552 | 415,006 |
| Current Year Offsets | 0 | (400,000) | 0 | (400,000) |
| Qualifying Disbursements | (201,896) | (228,814) | 0 | (430,710) |
| Totals | ($5,169) | ($432,087) | $128,102 | ($309,154) |
| Cash Balance Carried forward to FY 2001 | ($5,169) | $0 | $128,102 | $122,933 |
| Total restricted balances to carry forward to FY 2001 | $0 | $0 | $128,102 | $128,102 |

Although the School District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount to below zero, the extra amount may not be used to reduce the set-aside requirement in future years. The capital acquisition negative balance is therefore not presented as being carried forward to the next fiscal year.

## NOTE 21 - CONTINGENCIES

### A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the

opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

The School District is not party to any legal proceedings.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| **FEDERAL GRANTOR**<br>*Pass-Through Grantor*<br>Program Title | Federal CFDA Number | Pass Through Entity Number | Receipts | Noncash Receipts | Disbursements | Noncash Disbursements |
|---|---|---|---|---|---|---|
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | | | |
| *Passed through the Ohio Department of Education* | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution (Commodities) | 10.550 | N/A | $ | $22,491 | $ | $20,532 |
| National School Lunch Program | 10.555 | 03-PU-99/00 / 04-PU-99/00 | 45,484 | | 45,484 | |
| Child Care Food Program | 10.558 | 16-CC-99/00 / 21-ML-99/00 | 13,102 | | 13,102 | |
| *Total U.S. Department of Agriculture - Nutrition Cluster* | | | 58,586 | 22,491 | 58,586 | 20,532 |
| **U.S. DEPARTMENT OF EDUCATION** | | | | | | |
| *Passed through the Ohio Department of Education* | | | | | | |
| Appalachian State Research, Technical Assistance and Demonstration Project Grant | 23.011 | D1-06 0000 | 40,081 | | | |
| Adult Education State Grant Program | 84.002 | AB-S1 1999 | 46,496 | | | |
| | | AB-S1 1999 C | 7,563 | | 7,563 | |
| | | AB-S1 2000 | 137,724 | | 137,724 | |
| Total Adult Education State Grant Program | | | 191,783 | 0 | 145,287 | 0 |
| Vocational Education - Basic Grants to States | 84.048 | 20-A4 1999 | 29,390 | | 29,095 | |
| | | 20-C1 1999 | 61,862 | | 53,707 | |
| | | 20-C1 2000 | 481,548 | | 500,354 | |
| | | 20-C2 1999 | 13,580 | | | |
| | | 20-C2 2000 | 121,443 | | 136,252 | |
| Total Vocational Education - Basic Grants to States | | | 707,823 | 0 | 719,408 | 0 |
| Innovative Education Program Strategies | 84.298 | C2-S1-97C | 1,294 | | 2,528 | |
| | | C2-S1 2000 | 0 | | 384 | |
| Total Innovative Education Program Strategies | | | 1,294 | 0 | 2,912 | 0 |
| Total Passed through the Ohio Department of Education | | | 940,981 | 0 | 867,607 | 0 |
| *Direct from U.S. Department of Education:* | | | | | | |
| Pell Grant Program | 84.063 | N/A | 136,512 | | 136,512 | |
| Total Pell Grant Program | | | 136,512 | 0 | 136,512 | 0 |
| *Total U.S. Department of Education* | | | 1,077,493 | 0 | 1,004,119 | 0 |
| **Total Federal Awards Receipts and Expenditures** | | | **$1,136,079** | **$22,491** | **$1,062,705** | **$20,532** |

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

## NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

## NOTE B - MATCHING REQUIREMENTS

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

## NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had food commodities valued at $5,833 in inventory.

STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Mid-East Ohio Vocational School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 20, 2000.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 20, 2000.

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

**Jim Petro**
Auditor of State

December 20, 2000

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

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

To the Board of Education:

## Compliance

We have audited the compliance of Mid-East Ohio Vocational School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

## Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**Jim Petro**
Auditor of State

December 20, 2000

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

**SCHEDULE OF FINDINGS**
***OMB CIRCULAR A-133 §.505***
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material 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 Program's Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under §.510? | No |
| (d)(1)(vii) | Major Programs (list): | Vocational Education - Basic Grants to States - CFDA #84.048 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > $300,000<br>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 FOR FEDERAL AWARDS

None.

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OFFICE OF THE AUDITOR

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# MID-EAST OHIO VOCATIONAL SCHOOL DISTRICT

## MUSKINGUM COUNTY

## CLERK'S CERTIFICATION

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**MARCH 6, 2001**