

MOUNT VERNON CITY SCHOOL DISTRICT

KNOX COUNTY

SINGLE AUDIT

June 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Mount Vernon City School District
302 Martinsburg Rd.
Mount Vernon, OH 43050-4252

We have reviewed the independent auditor's report of the Mount Vernon City School District, Knox County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 31, 2001

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**Mount Vernon City School District
Knox County**

June 30, 2001

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Board of Education
Mount Vernon City School District
302 Martinsburg Road
Mount Vernon, Ohio 43050

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of Mount Vernon City School District, Knox County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 the District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street
Newark, Ohio 43055
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Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Wilson, Sherman & Snow, Inc.

Newark, Ohio
November 30, 2001

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 12,790,826	\$ 445,574	\$ 750,886	\$ 1,977,781
Receivables:				
Taxes	14,569,027	-	997,752	685,516
Accounts	53,877	-	-	-
Intergovernmental	-	-	-	-
Interfund Receivable	13,027	-	-	-
Materials and Supplies Inventory	-	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	659,568	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount Available in Debt Service Funds	-	-	-	-
Amount to be Provided for Debt Retirement	-	-	-	-
Total Assets and Other Debits	\$ 28,086,325	\$ 445,574	\$ 1,748,638	\$ 2,663,297
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 206,834	\$ 36,311	\$ -	\$ 20,582
Accrued Wages and Benefits	1,794,708	111,834	-	-
Compensated Absences Payable	30,512	73	-	-
Interfund Payable	-	11,899	-	-
Intergovernmental Payable	376,645	18,903	-	-
Deferred Revenue	10,412,427	-	708,552	533,416
Due to Students	-	-	-	-
Claims Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
Energy Conservation Loan Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	12,821,126	179,020	708,552	553,998
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	698,383	42,162	-	323,309
Reserved for Advances	13,027	-	-	-
Reserved for Property Taxes	4,156,600	-	289,200	152,100
Reserved for Textbooks & Instructional Materials	37,310	-	-	-
Reserved for Budget Stabilization	622,258	-	-	-
Unreserved:				
Unreserved, Undesignated	9,737,621	224,392	750,886	1,633,890
Total Fund Equity and Other Credits	15,265,199	266,554	1,040,086	2,109,299
Total Liabilities, Fund Equity and Other Credits	\$ 28,086,325	\$ 445,574	\$ 1,748,638	\$ 2,663,297

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 422,281	\$ 738,902	\$ 43,007	\$ -	\$ -	\$ 17,169,257
-	-	-	-	-	16,252,295
277	-	-	-	-	54,154
577	-	-	-	-	577
-	-	-	-	-	13,027
27,065	-	-	-	-	27,065
-	-	-	-	-	659,568
566,926	-	-	26,015,694	-	26,582,620
(321,029)	-	-	-	-	(321,029)
-	-	-	-	1,040,086	1,040,086
-	-	-	-	10,428,347	10,428,347
<u>\$ 696,097</u>	<u>\$ 738,902</u>	<u>\$ 43,007</u>	<u>\$ 26,015,694</u>	<u>\$ 11,468,433</u>	<u>\$ 71,905,967</u>
\$ 6,859	\$ -	\$ 3,052	\$ -	\$ -	\$ 273,638
9,564	-	-	-	-	1,916,106
25,342	52	-	-	1,157,749	1,213,728
-	-	1,128	-	-	13,027
18,866	715	-	-	176,950	592,079
6,881	-	-	-	-	11,661,276
-	-	34,853	-	-	34,853
-	526,569	-	-	-	526,569
-	-	-	-	9,887	9,887
-	-	-	-	603,847	603,847
-	-	-	-	9,520,000	9,520,000
<u>67,512</u>	<u>527,336</u>	<u>39,033</u>	<u>-</u>	<u>11,468,433</u>	<u>26,365,010</u>
-	-	-	26,015,694	-	26,015,694
13,427	-	-	-	-	13,427
615,158	211,566	-	-	-	826,724
-	-	-	-	-	1,063,854
-	-	-	-	-	13,027
-	-	-	-	-	4,597,900
-	-	-	-	-	37,310
-	-	-	-	-	622,258
-	-	3,974	-	-	12,350,763
<u>628,585</u>	<u>211,566</u>	<u>3,974</u>	<u>26,015,694</u>	<u>-</u>	<u>45,540,957</u>
<u>\$ 696,097</u>	<u>\$ 738,902</u>	<u>\$ 43,007</u>	<u>\$ 26,015,694</u>	<u>\$ 11,468,433</u>	<u>\$ 71,905,967</u>

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 10,250,285	\$ 1,909,358
Interest	836,099	-
Tuition and Fees	775,746	-
Rent	3,780	-
Extracurricular Activities	26,047	119,537
Gifts and Donations	15,650	19,923
Property & Other Local Taxes	13,046,843	-
Miscellaneous	460,852	1,277
Total Revenues	25,415,302	2,050,095
Expenditures:		
Instruction:		
Regular	11,641,373	434,466
Special	1,838,901	830,200
Vocational	244,670	-
Support services:		
Pupils	1,225,016	218,257
Instructional Staff	990,722	198,574
Board of Education	37,386	-
Administration	1,546,615	83,431
Fiscal	1,252,646	17,295
Business	169,779	-
Operation and Maintenance of Plant	2,110,055	-
Pupil Transportation	807,700	-
Central	22,095	996
Non-Instructional Services	-	200,360
Extracurricular activities	358,928	145,934
Capital Outlay	-	-
Debt Service	-	-
Debt Service - Principal	9,819	-
Debt Service - Interest	1,185	-
Total Expenditures	22,256,890	2,129,513
Excess of Revenues Over (Under) Expenditures	3,158,412	(79,418)
Other Financing Sources and Uses		
Operating Transfers In	-	-
Proceeds from Sale of Fixed Assets	1,143	-
Refund of Prior Year Expenditures	4,302	675
Operating Transfers Out	(386,865)	-
Total Other Financing Sources (Uses)	(381,420)	675
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,776,992	(78,743)
Fund Balance at Beginning of Year	12,488,207	345,297
Fund Balance at End of Year	\$ 15,265,199	\$ 266,554

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

Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$ 81,811	\$ 75,693	\$ -	\$	12,317,147
-	134,603	-		970,702
-	-	-		775,746
-	-	-		3,780
-	-	-		145,584
-	2,770	146		38,489
958,593	653,823	-		14,659,259
-	-	-		462,129
<u>1,040,404</u>	<u>866,889</u>	<u>146</u>		<u>29,372,836</u>
-	268,813	-		12,344,652
-	-	-		2,669,101
-	-	-		244,670
-	22,341	-		1,465,614
-	45,912	-		1,235,208
-	-	-		37,386
-	-	427		1,630,473
18,448	14,267	-		1,302,656
-	-	-		169,779
-	15,521	-		2,125,576
-	-	-		807,700
-	-	-		23,091
-	-	-		200,360
-	-	-		504,862
-	835,322	-		835,322
364,443	-	-		374,262
642,981	-	-		644,166
<u>1,025,872</u>	<u>1,202,176</u>	<u>427</u>		<u>26,614,878</u>
<u>14,532</u>	<u>(335,287)</u>	<u>(281)</u>		<u>2,757,958</u>
136,865	250,000	-		386,865
-	-	-		1,143
-	-	-		4,977
-	-	-		(386,865)
<u>136,865</u>	<u>250,000</u>	<u>-</u>		<u>6,120</u>
151,397	(85,287)	(281)		2,764,078
888,689	2,194,586	1,167		15,917,946
<u>\$ 1,040,086</u>	<u>\$ 2,109,299</u>	<u>\$ 886</u>		<u>\$ 18,682,024</u>

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 909,953	\$ 10,250,285	\$ 9,340,332
Interest	-	836,099	836,099
Tuition and Fees	-	723,575	723,575
Rent	-	3,780	3,780
Extracurricular Activities	-	26,047	26,047
Gifts and Donations	-	15,650	15,650
Property & Other Local Taxes	12,858,614	12,858,614	-
Miscellaneous	-	460,452	460,452
Total Revenues	13,768,567	25,174,502	11,405,935
Expenditures:			
Instruction:			
Regular	11,811,745	11,811,745	-
Special	2,020,677	2,020,677	-
Vocational	243,053	243,053	-
Support services:			
Pupils	1,275,617	1,275,617	-
Instructional Staff	1,059,144	1,059,144	-
Board of Education	38,910	38,910	-
Administration	1,601,171	1,601,171	-
Fiscal	2,377,022	1,274,509	1,102,513
Business	164,830	164,830	-
Operation and Maintenance of Plant	2,337,383	2,337,383	-
Pupil Transportation	1,004,234	983,880	20,354
Central	22,095	22,095	-
Non-Instructional Services	-	-	-
Extracurricular activities	357,685	357,685	-
Capital Outlay	-	-	-
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	24,313,566	23,190,699	1,122,867
Excess of Revenues Over (Under) Expenditures	(10,544,999)	1,983,803	12,528,802
Other Financing Sources and Uses			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	-	1,143	1,143
Refund of Prior Year Expenditures	-	18,414	18,414
Operating Transfers Out	(386,865)	(386,865)	-
Total Other Financing Sources (Uses)	(386,865)	(367,308)	19,557
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,931,864)	1,616,495	12,548,359
Fund Balances at Beginning of Year	10,031,433	10,031,433	-
Prior Year Encumbrances Appropriated	900,431	900,431	-
Fund Balance at end of Year	\$ -	\$ 12,548,359	\$ 12,548,359

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

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 1,909,359	\$ 1,909,359	\$ -	\$ 81,712	\$ 81,811	\$ 99
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
119,537	119,537	-	-	-	-
19,923	19,923	-	-	-	-
-	-	-	844,767	844,767	-
1,277	1,277	-	-	-	-
<u>2,050,096</u>	<u>2,050,096</u>	<u>-</u>	<u>926,479</u>	<u>926,578</u>	<u>99</u>
525,991	472,052	53,939	-	-	-
1,025,446	819,583	205,863	-	-	-
-	-	-	-	-	-
268,879	226,457	42,422	-	-	-
223,023	202,328	20,695	-	-	-
-	-	-	-	-	-
115,565	87,638	27,927	-	-	-
17,637	17,295	342	769,234	18,448	750,786
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
996	996	-	-	-	-
236,656	235,656	1,000	-	-	-
169,118	154,205	14,913	-	-	-
-	-	-	-	-	-
-	-	-	364,443	364,443	-
-	-	-	642,981	642,981	-
<u>2,583,311</u>	<u>2,216,210</u>	<u>367,101</u>	<u>1,776,658</u>	<u>1,025,872</u>	<u>750,786</u>
<u>(533,215)</u>	<u>(166,114)</u>	<u>367,101</u>	<u>(850,179)</u>	<u>(99,294)</u>	<u>750,885</u>
-	-	-	136,865	136,865	-
-	-	-	-	-	-
675	675	-	-	-	-
-	-	-	-	-	-
<u>675</u>	<u>675</u>	<u>-</u>	<u>136,865</u>	<u>136,865</u>	<u>-</u>
(532,540)	(165,439)	367,101	(713,314)	37,571	750,885
366,506	366,506	-	713,314	713,314	-
166,034	166,034	-	-	-	-
<u>\$ -</u>	<u>\$ 367,101</u>	<u>\$ 367,101</u>	<u>\$ -</u>	<u>\$ 750,885</u>	<u>\$ 750,885</u>

(Continued)

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001
(Continued)**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 75,641	\$ 75,693	\$ 52
Interest	126,836	134,603	7,767
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	2,770	2,770	-
Property & Other Local Taxes	594,071	594,071	-
Miscellaneous	-	-	-
Total Revenues	799,318	807,137	7,819
Expenditures:			
Instruction:			
Regular	336,378	274,038	62,340
Special	-	-	-
Vocational	-	-	-
Support services:			
Pupils	23,000	22,341	659
Instructional Staff	50,620	46,272	4,348
Board of Education	-	-	-
Administration	3,100	-	3,100
Fiscal	23,131	14,396	8,735
Business	4,000	-	4,000
Operation and Maintenance of Plant	19,521	15,521	4,000
Pupil Transportation	48,836	-	48,836
Central	-	-	-
Non-Instructional Services	15,000	-	15,000
Extracurricular activities	-	-	-
Capital Outlay	3,041,639	1,566,587	1,475,052
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	3,565,225	1,939,155	1,626,070
Excess of Revenues Over (Under) Expenditures	(2,765,907)	(1,132,018)	1,633,889
Other Financing Sources and Uses			
Operating Transfers In	250,000	250,000	-
Proceeds from Sale of Fixed Assets	-	-	-
Refund of Prior Year Expenditures	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	250,000	250,000	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,515,907)	(882,018)	1,633,889
Fund Balances at Beginning of Year	1,144,435	1,144,435	-
Prior Year Encumbrances Appropriated	1,371,472	1,371,472	-
Fund Balance at end of Year	\$ -	\$ 1,633,889	\$ 1,633,889

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

Fiduciary Trust Fund Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,976,665	\$ 12,317,148	\$ 9,340,483
-	-	-	126,836	970,702	843,866
-	-	-	-	723,575	723,575
-	-	-	-	3,780	3,780
-	-	-	119,537	145,584	26,047
146	146	-	22,839	38,489	15,650
-	-	-	14,297,452	14,297,452	-
-	-	-	1,277	461,729	460,452
146	146	-	17,544,606	28,958,459	11,413,853
-	-	-	12,674,114	12,557,835	116,279
351	-	351	3,046,474	2,840,260	206,214
-	-	-	243,053	243,053	-
-	-	-	1,567,496	1,524,415	43,081
-	-	-	1,332,787	1,307,744	25,043
-	-	-	38,910	38,910	-
466	427	39	1,720,302	1,689,236	31,066
-	-	-	3,187,024	1,324,648	1,862,376
-	-	-	168,830	164,830	4,000
-	-	-	2,356,904	2,352,904	4,000
253	-	253	1,053,323	983,880	69,443
-	-	-	23,091	23,091	-
-	-	-	251,656	235,656	16,000
243	-	243	527,046	511,890	15,156
-	-	-	3,041,639	1,566,587	1,475,052
-	-	-	364,443	364,443	-
-	-	-	642,981	642,981	-
1,313	427	886	32,240,073	28,372,363	3,867,710
(1,167)	(281)	886	(14,695,467)	586,096	15,281,563
-	-	-	386,865	386,865	-
-	-	-	-	1,143	1,143
-	-	-	675	19,089	18,414
-	-	-	(386,865)	(386,865)	-
-	-	-	675	20,232	19,557
(1,167)	(281)	886	(14,694,792)	606,328	15,301,120
894	894	-	12,256,582	12,256,582	-
273	273	-	2,438,210	2,438,210	-
\$ -	\$ 886	\$ 886	\$ -	\$ 15,301,120	\$ 15,301,120

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

**Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Sales	\$ 688,330	\$ -	\$ -	\$ 688,330
Charges for Services	-	2,264,988	-	2,264,988
Interest	-	-	174	174
Other Revenues	-	4,200	-	4,200
Contributions and Donations	-	-	250	250
Refund of Prior Year Expense	-	178	-	178
Total Operating Revenues	688,330	2,269,366	424	\$2,958,120
Operating Expenses:				
Salaries	307,967	10,456	-	318,423
Fringe Benefits	138,712	99,982	-	238,694
Purchased Services	23,704	2,646,079	-	2,669,783
Materials and Supplies	522,367	946	-	523,313
Depreciation	47,883	-	-	47,883
Other	-	7,559	150	7,709
Total Operating Expenses	1,040,633	2,765,022	150	3,805,805
Operating Income (Loss)	(352,303)	(495,656)	274	(847,685)
Non-Operating Revenues and Expenses:				
Federal Donated Commodities	39,710	-	-	39,710
Interest	15,300	44,006	-	59,306
Federal and State Subsidies	334,460	-	-	334,460
Total Non-Operating Revenues and Expenses	389,470	44,006	-	433,476
Net Income (Loss)	37,167	(451,650)	274	(414,209)
Retained Earnings/Fund Balances at Beginning of Year	577,991	663,216	2,814	1,244,021
Retained Earnings/Fund Balances at End of Year	615,158	211,566	3,088	829,812
Contributed Capital at Beginning of Year	13,427	-	-	13,427
Contributed Capital at End of Year	13,427	-	-	13,427
Total Fund Equity at End of Year	\$ 628,585	\$ 211,566	\$ 3,088	\$ 843,239

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

**MOUNT VERNON CITY SCHOOL DISTRICT
KNOX COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$ 690,142	\$ -	\$ -	\$ 690,142
Cash Received from Charges for Services	-	2,264,988	-	2,264,988
Other Cash Receipts	-	4,378	250	4,628
Cash Payments to Suppliers for Goods and Service	(478,766)	(1,100)	-	(479,866)
Cash Payments for Contract Services	(23,704)	(2,496,930)	-	(2,520,634)
Cash Payments for Employee Services	(313,509)	(10,456)	-	(323,965)
Cash Payments for Employee Benefits	(134,444)	(100,022)	-	(234,466)
Other Cash Payments	-	(7,559)	(150)	(7,709)
Net Cash Provided (Used) by Operating Activities	<u>(260,281)</u>	<u>(346,701)</u>	<u>100</u>	<u>(606,882)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	<u>380,987</u>	<u>-</u>	<u>-</u>	<u>380,987</u>
Net Cash Provided by Noncapital Financing Activities	<u>380,987</u>	<u>-</u>	<u>-</u>	<u>380,987</u>
Cash Flows from Investing Activities:				
Interest Received	<u>15,300</u>	<u>44,006</u>	<u>174</u>	<u>59,480</u>
Net Cash Provided by Investing Activities	<u>15,300</u>	<u>44,006</u>	<u>174</u>	<u>59,480</u>
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	<u>(52,046)</u>	<u>-</u>	<u>-</u>	<u>(52,046)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(52,046)</u>	<u>-</u>	<u>-</u>	<u>(52,046)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	83,960	(302,695)	274	(218,461)
Cash and Cash Equivalents at Beginning of Year	<u>338,321</u>	<u>1,041,597</u>	<u>2,814</u>	<u>1,382,732</u>
Cash and Cash Equivalents at End of Year	<u>\$ 422,281</u>	<u>\$ 738,902</u>	<u>\$ 3,088</u>	<u>\$ 1,164,271</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (352,303)	\$ (495,656)	\$ 274	\$ (847,685)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	47,883	-	-	47,883
Donated Commodities Used During the Year	39,710	-	-	39,710
Adjustments to Capital Outlay	9,193	-	-	9,193
Nonexpendable Trust Interest	-	-	(174)	(174)
(Increase) Decrease in Assets:				
Accounts Receivable	1,812	-	-	1,812
Material and Supplies Inventory	(3,733)	-	-	(3,733)
Increase (Decrease) in Liabilities:				
Accounts Payable	(2,410)	(746)	-	(3,156)
Compensated Absences Payable	(4,923)	(76)	-	(4,999)
Intergovernmental Payable	3,436	36	-	3,472
Deferred Revenue	841	-	-	841
Claims Payable	-	149,741	-	149,741
Accrued Wages and Benefits	213	-	-	213
Total Adjustments	<u>92,022</u>	<u>148,955</u>	<u>(174)</u>	<u>240,803</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (260,281)</u>	<u>\$ (346,701)</u>	<u>\$ 100</u>	<u>\$ (606,882)</u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:				
Cash and Cash Equivalents — Trust and Agency Funds				\$ 43,007
Less: Expendable Trust Funds				(886)
Less: Agency Funds				<u>(39,033)</u>
Cash and Cash Equivalents — Nonexpendable Trust Funds				<u>\$ 3,088</u>

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in the 1870s through the consolidation of existing land areas and school districts. The School District serves an area of approximately 138 square miles. It is located in Knox County, and includes all of the City of Mount Vernon, the Village of Gambier and portions of Brown, Clinton, College, Harrison, Howard, Liberty, Miller, Monroe, Morgan, Morris, Pike, and Pleasant Townships. The School District is the 89th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 147 non-certificated employees and 254 certificated full-time teaching personnel who provide services to 4,279 students and other community members. The School District currently operates 9 instructional buildings, one administrative building, and one garage.

Reporting Entity:

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

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

The following activities are included within the reporting entity:

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

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Proprietary Fund Types:

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

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

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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, 2001, 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 types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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 Knox County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

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

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

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.

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2001, investments were limited to STAR Ohio. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute based upon School District policy.

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

E. Inventory

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

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

G. Intergovernmental Revenues

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Auxiliary Services
- Disadvantaged Pupil Program
- Professional Development Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- School Net Professional Development
- Textbooks/Instructional Material Subsidy
- Ohio Reads Grant
- Summer School Subsidy
- Eisenhower Grant
- Title VI-B
- Title I
- Title VI
- Drug-Free Schools
- SACC/Dependent Grant
- Preschool Grant
- FCC E-Rate
- Title VI-R

Capital Projects Funds

- School Net Plus
- Power Up

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

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

Grants and entitlements amounted to approximately 39 percent of the School District's operating revenue during the 2001 fiscal year.

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

H. Interfund Assets/Liabilities

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

I. Compensated Absences

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

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees, except certified employees, after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 10 years of service and at least 50 years of age. The District records a liability for certified employees after 15 years of current service and at least 40 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Interfund Transactions

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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

L. Restricted Assets

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

M. Fund Balance Reserves

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

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

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2001, the Disadvantaged Pupils Impact Aid, Summer School Subsidy, and Title VI-R funds had deficit fund balances of \$9,074, \$158, and \$1,681, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget - Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$1,616,495	(\$165,439)	\$37,571	(\$882,018)	(\$281)
Adjustments for:					-
Revenue Accruals	240,801	-	113,826	59,753	-
Expenditure Accruals	31,773	8,223	-	393,087	-
Other Sources/Uses	(14,112)	-	-	-	-
Encumbrances	902,035	78,473	-	343,891	-
GAAP Basis	\$2,776,992	(\$78,743)	\$151,397	(\$85,287)	(\$281)

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.

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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 \$433,584 and the bank balance was \$759,431. Of the bank balance, \$100,000 was covered by federal depository insurance and \$659,431 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Carrying Value	Market Value
STAR Ohio	\$17,395,241	\$17,395,241
Totals	\$17,395,241	\$17,395,241

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.

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The School District receives property taxes from Knox County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2001 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, 2001. 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, 2001, was \$4,156,600 in the General Fund, \$289,200 in the Bond Retirement Debt Service Fund and \$152,100 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$334,420,270	74%	\$345,517,510	72%
Public Utility	28,775,540	6%	26,598,760	6%
Tangible Personal Property	88,214,134	20%	105,043,314	22%
Total Assessed Value	<u>\$451,409,944</u>	<u>100%</u>	<u>\$477,159,584</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$37.54		\$36.54	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$14,569,027
Accounts	53,877
Debt Service Fund	
Taxes	997,752
Capital Project Funds	
Taxes	685,516
Enterprise Funds	
Accounts	277
Intergovernmental	577
Total Receivables	<u>\$16,307,026</u>

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$566,926
Less: Accumulated Depreciation	<u>(321,029)</u>
Net Fixed Assets	<u><u>\$245,897</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$ 638,996	\$ -	\$ -	\$ 638,996
Buildings and Improvements	17,411,400	671,985	-	18,083,385
Furniture and Equipment	5,787,378	432,260	12,100	6,207,538
Vehicles	1,080,650	5,125	-	1,085,775
Totals	<u><u>\$24,918,424</u></u>	<u><u>\$1,109,370</u></u>	<u><u>\$12,100</u></u>	<u><u>\$26,015,694</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District's insurance coverage was as follows:

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

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District pays a monthly premium to Benefit Services, a third party administrator, who in turn pays the claims for the School District. The claims liability of \$526,569 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2000	\$346,735	\$1,978,857	\$1,948,764	\$376,828
2001	\$376,828	\$2,646,671	\$2,496,930	\$526,569

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Mount Vernon City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Mount Vernon City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$438,370, \$408,511, \$386,091, respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,833,937, \$1,703,118, \$1,696,384, respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$326,264 representing the unpaid contribution for fiscal year 2001 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, 2001, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400.

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, the latest information available, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for certificated and classified personnel and 260 days for school administrators and other administrators. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for classified and 40 days certificated employees, 50 days for school administrators and 50 days for other administrators.

B. Life Insurance

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$175,222. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$9,819 in the governmental funds

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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, 2001.

Fiscal Year Ending June 30,	GLTDAG
2002	\$10,335
Total	10,335
Less: Amount Representing Interest	(448)
Present Value of Net Minimum Lease Payments	\$9,887

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance At 07/01/00	Additions	Deductions	Balance at 06/30/01
General Obligation Bonds	\$ 9,385,000	\$ -	\$165,000	\$9,220,000
General Obligation Bonds	400,000	-	100,000	300,000
Energy Conservation Loan	74,090	-	74,090	-
Energy Conservation Loan	629,200	-	25,353	603,847
Long-Term Bonds & Loan	10,488,290	-	364,443	10,123,847
Capital Leases	19,706	-	9,819	9,887
Pension Obligation	149,636	27,314	-	176,950
Compensated Absences	1,072,212	85,537	-	1,157,749
Total Long-Term Obligations	\$11,729,844	\$112,851	\$374,262	\$11,468,433

General Obligation Bonds - In December 1993, the Mount Vernon City School District issued voted general obligation bonds for school buildings and improvements. The bonds were issued for a ten-year period with final maturity at December 2003, with an interest rate of 4.80 to 4.90%. The bonds will be retired from the debt service fund.

General Obligation Bonds - In May 1994, the Mount Vernon City School District issued general obligation bonds for the school buildings and improvements. The bonds were issued for a twenty-six year period with final maturity at June 2020, with an interest rate of 5.05 to 5.90%. The bonds will be retired from the debt service fund.

Energy Conservation Loan - In May 1991, the Mount Vernon City School District issued general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with final maturity during fiscal year 2001, with an interest rate of 6.34%. The loan will be retired from the debt service fund.

Energy Conservation Loan - In June 2001, the Mount Vernon City School District issued general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with final maturity during fiscal year 2010, with an interest rate of 5.75%. The loan will be retired from the debt service fund.

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

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The School District's voted legal debt margin was \$33,424,363 with an unvoted debt margin of \$477,160 at June 30, 2001.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$332,913	\$625,924	\$958,837
2003	350,999	608,180	959,179
2004	364,266	589,311	953,577
2005	387,722	568,932	956,654
2006	411,381	546,849	958,230
2007-2011	2,356,566	2,327,932	4,684,498
2012-2016	2,865,000	1,412,520	4,277,520
2017-2020	3,055,000	370,159	3,425,159
Total	<u>\$10,123,847</u>	<u>\$7,049,807</u>	<u>\$17,173,654</u>

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Mount Vernon City School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$575,952	\$112,378	\$688,330
Depreciation Expense	47,883		47,883
Operating Income (Loss)	(379,534)	27,231	(352,303)
Donated Commodities	39,710		39,710
Grants	334,460		334,460
Interest	15,300		15,300
Net Income (Loss)	9,936	27,231	37,167
Net Working Capital	285,696	96,992	382,688
Total Assets	598,294	97,803	696,097
Total Liabilities	66,701	811	67,512
Total Equity	531,593	96,992	628,585

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

**Mount Vernon City School District
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**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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

NOTE 17 - INSURANCE PURCHASING POOL

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

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.

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**Mount Vernon City School District
Knox County**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2000	(\$74,385)	\$ -	\$440,310	\$ 365,925
Current Year Set-aside Requirement	545,844	545,844	181,948	1,273,636
Qualifying Disbursements	(434,149)	(1,096,203)	-	(1,530,352)
Total	<u>\$37,310</u>	<u>(\$550,359)</u>	<u>\$622,258</u>	<u>\$ 109,209</u>
Cash Balance Carried Forward to FY 2002	<u>\$37,310</u>	<u>\$ -</u>	<u>\$622,258</u>	<u>\$ -</u>
Amount restricted for Textbooks				\$ 37,310
Amount restricted for Budget Stabilization				622,258
Total Restricted Assets				<u>\$ 659,568</u>

NOTE 20 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**Mount Vernon City School District
Knox County**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through Ohio Department of Education						
Nutrition Cluster:						
National School Breakfast Program	05-PU-00 05-PU-01	10.553	\$ 49,226	\$ -	\$ 49,226	\$ -
National School Lunch Program	LL-P1-00 LL-P4-00 LL-P1-01 LL-P4-01	10.555	304,443	-	304,443	-
Special Milk Program	02-PU-00 02-PU-01	10.556	4,859	-	4,859	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>358,528</u>	<u>-</u>	<u>358,528</u>	<u>-</u>
Food Distribution		10.550	-	40,534	-	39,710
Total U.S. Department of Agriculture			<u>358,528</u>	<u>40,534</u>	<u>358,528</u>	<u>39,710</u>
<u>U.S. Department of Education</u>						
Passed through Ohio Department of Education						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-00	84.027	382,356	-	391,218	-
Special Education - Preschool Grant	PG-S1-00	84.173	22,513	-	19,644	-
Total Special Education Cluster			<u>404,869</u>	<u>-</u>	<u>410,862</u>	<u>-</u>
Partnership Grant	G2-58-00	84.276	-	-	1,634	-
Eisenhower Professional Development	MS-S1-01	84.281	19,754	-	17,826	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S2-00 C1-S2-01 C2-S0-01	84.010	819,600	-	747,419	-
Innovative Educational Program Strategies (Title VI)	C2-S1-01	84.298	22,612	-	28,915	-
Drug-Free Schools Grant	DR-S1-01	84.186	18,150	-	19,666	-
Title VIR - Class Size Reduction	CR-S1-01	84.340	109,354	-	109,143	-
Total U.S. Department of Education			<u>1,394,339</u>	<u>-</u>	<u>1,335,465</u>	<u>-</u>
Totals			<u>\$ 1,752,867</u>	<u>\$ 40,534</u>	<u>\$ 1,693,993</u>	<u>\$ 39,710</u>

The accompanying notes are an integral part of this schedule.

**Mount Vernon City School District
Knox County**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

YEAR ENDED JUNE 30, 2001

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

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

FOOD DISTRIBUTION

Non-monetary assistance is reported in the accompanying schedule of federal awards receipts and expenditures at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



Report On Compliance And On Internal Control Required By Government Auditing Standards

Board of Education
Mount Vernon City School District
302 Martinsburg Road
Mount Vernon, Ohio 43050

We have audited the general-purpose financial statements of Mount Vernon City School District, Knox County, Ohio (the District) as of and for the year ended June 30, 2001 and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 District in a separate letter dated November 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street
Newark, Ohio 43055
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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 District in a separate letter dated November 30, 2001.

This report is intended for the information of the management, 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.

Wilson, Shanna & Sons, Inc.

Newark, Ohio
November 30, 2001



Report On Compliance With Requirements Applicable To Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Education
Mount Vernon City School District
302 Martinsburg Road
Mount Vernon, Ohio 43050

Compliance

We have audited the compliance of Mount Vernon City School District, Knox County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are 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 programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

Wilson, Shannon & Snow, Inc.

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Internal Control Over Compliance

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

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

This report is intended for the information and use of 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.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
November 30, 2001

**Mount Vernon City School District
Knox County**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

June 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster\10.550\10.553\ 10.556\10.555 Special Education Cluster\84.027 & 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MOUNT VERNON CITY SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**