



**Auditor of State
Betty Montgomery**

**MID-EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Mid-East Career and Technology Centers
Muskingum County
400 Richards Road
Zanesville, Ohio 43701

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Adult Education Fund thereof 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 January 7, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 7, 2005

Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Mid-East Career and Technology Centers' financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2004 are as follows:

- In total, net assets of governmental activities increased \$668,936.
- General revenues accounted for \$10,345,901 in revenue or 68.9 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,663,648 or 31.1 percent of total revenues of \$15,009,549.
- Total assets of governmental activities increased by \$520,067. This increase was mostly due to an increase in cash and cash equivalents resulting from additional state foundation funding relating to increased enrollment. This increase is partially offset by a decrease in depreciable capital assets of \$164,339.
- The School District had \$14,340,613 in expenses related to governmental activities; only \$4,663,648 of these expenses were offset by program specific charges for services, grants or contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$10,345,901 were adequate enough to provide for these programs.

The School District has three major funds, the general fund, adult education special revenue fund, and the permanent improvement capital projects fund. The general fund had \$11,806,212 in revenues and \$10,748,019 in expenditures. The general fund's balance increased \$898,883. The adult education special revenue fund had \$1,349,139 in revenues and \$1,455,572 in expenditures and fund balance decreased \$106,433. The permanent improvement capital projects fund had \$30,650 in revenues and \$231,754 in expenditures and the fund balance decreased \$35,339.

Using this Basic Financial Statements Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Mid-East Career and Technology Centers as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Mid-East Career and Technology Centers, the general fund, adult education special revenue fund and the permanent improvement capital projects fund are the major funds.

Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2003-2004 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be Governmental Activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, adult education special revenue fund and the permanent improvement fund capital projects fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited**

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$13,794,035	\$13,109,629
Capital Assets	4,745,325	4,909,664
Total Assets	18,539,360	18,019,293
Liabilities		
Long-Term Liabilities	(897,954)	(912,483)
Other Liabilities	(4,249,452)	(4,383,792)
Total Liabilities	(5,147,406)	(5,296,275)
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,465,911	4,606,838
Restricted	3,430,522	3,796,526
Unrestricted	5,495,521	4,319,654
Total Net Assets	\$13,391,954	\$12,723,018

Total assets increased \$520,067. Equity in pooled cash and cash equivalents increased \$748,189 as a result of the School District receiving additional state foundation monies as a result of increased enrollment. Capital assets decreased \$164,339. Intergovernmental receivable decreased \$93,757 as a result of more grant monies being received by fiscal year end than in the prior year.

Total liabilities decreased by \$148,869. This is largely the result of the current year principal payment of \$65,765 relating to a building construction assistance loan as well as a \$40,000 reduction in claims payable.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004, and comparisons to fiscal year 2003.

Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2
Change in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues:		
Charges for Services	\$1,437,255	\$1,576,378
Operating Grants, Contributions, and Interest	3,187,973	3,370,431
Capital Grants and Contributions	38,420	2,277
Total Program Revenues	<u>4,663,648</u>	<u>4,949,086</u>
General Revenues:		
Property Taxes Levied for General Purposes	4,680,615	4,421,851
Grants and Entitlements not Restricted to Specific Programs	5,505,543	4,542,491
Miscellaneous	159,743	250,747
Total General Revenues	<u>10,345,901</u>	<u>9,215,089</u>
Total Revenues	<u>15,009,549</u>	<u>14,164,175</u>
Program Expenses		
Instruction	8,467,944	8,415,247
Support Services:		
Pupils and Instructional Staff	1,851,770	1,875,483
Board of Education, Administration and Fiscal	1,706,622	1,662,480
Business	179,865	188,600
Operation and Maintenance of Plant	1,396,884	1,614,788
Pupil Transportation	62,387	21,909
Central	235,845	276,101
Operation of Non-Instructional Services	362,638	277,081
Extracurricular Activities	71,885	61,974
Interest	4,773	5,425
Total Expenses	<u>14,340,613</u>	<u>14,399,088</u>
Change in Net Assets	<u>\$668,936</u>	<u>(\$234,913)</u>

**Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited**

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 31.2 percent of revenues for governmental activities for Mid-East Career and Technology Centers in fiscal year 2004, which is no change from fiscal year 2003.

The largest Governmental Activities program expense is vocational instruction, which comprises 36.8 percent of expenses. Interest expense during fiscal year 2004 was \$4,773 and was attributable to outstanding capital lease agreements and energy conservation notes.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions and interest offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$8,467,944	\$4,941,363	\$8,415,247	\$4,613,125
Support Services:				
Pupils and Instructional Staff	1,851,770	1,192,356	1,875,483	1,206,434
Board of Education, Administration and Fiscal Business	1,706,622	1,621,665	1,662,480	1,559,593
Operation and Maintenance of Plant	179,865	173,977	188,600	185,031
Pupil Transportation	1,396,884	1,369,214	1,614,788	1,580,892
Central	62,387	61,636	21,909	21,088
Operation of Non-Instructional Services	235,845	202,033	276,101	221,663
Extracurricular Activities	362,638	47,882	277,081	(1,366)
Interest	71,885	62,066	61,974	58,117
Total Expenses	\$14,340,613	\$9,676,965	\$14,399,088	\$9,450,002

The dependence upon tax revenues for governmental activities is apparent. 58.4 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 67.5 percent. The School District receives tax revenues from Muskingum, Guernsey, Licking, Coshocton, and Noble Counties.

During fiscal year, the School District had a building needs assessment completed by a private architect. The results will be presented to the School District during fiscal year 2005.

**Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited**

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,157,406 and expenditures of \$14,434,888. The net change in fund balance before other financing sources and uses for the year was most significant in the general fund, an increase of \$1,058,193. This change in fund balance indicates that the School District has been able to meet current obligations from current revenues.

Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the general fund and adult education special revenue fund.

During the course of fiscal year 2004, the School District amended its general fund and adult education special revenue fund budgets, but not significantly. The adult education tuition in the adult education special revenue fund was \$519,321 lower than estimated due to fewer students attending. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The School District's ending unobligated general fund balance was \$409,367 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$4,745,325 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture, and fixtures. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets at June 30

	Governmental Activities	
	2004	2003
Land	\$333,075	\$333,075
Buildings and Improvements	3,702,127	3,870,966
Vehicles	111,572	117,102
Machinery, Equipment, Furniture and Fixtures	598,551	588,521
Totals	\$4,745,325	\$4,909,664

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

**Mid-East Career and Technology Centers
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited**

Debt

At June 30, 2004, the School District had \$197,292 in a building construction assistance loan with \$65,765 due in one year. Table 5 summarizes the building construction assistance loan outstanding:

Table 5
Outstanding Debt, at Year End

	Governmental Activities 2004	Governmental Activities 2003
Governmental Activities:		
1987 Building Construction Assistance Loan	\$197,292	\$263,057

The Building Construction Assistance Loan was used for construction projects at the Muskingum Perry and Guernsey Noble Career Centers and will be paid from the Permanent Improvement Capital Projects Fund. See Notes 16 and 17 for more detailed information about the School District's debt.

Economic Factors

As the preceding information shows, the School District depends on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District is currently able to maintain financial stability.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Richard L. White, Treasurer/CFO at Mid-East Career and Technology Centers, 400 Richards RD., Zanesville, Ohio 43701, or e-mail at rwhite@mid-east.k12.oh.us.

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Mid-East Career and Technology Centers, Ohio
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,882,507
Accounts Receivable	29,776
Intergovernmental Receivable	300,107
Inventory Held for Resale	6,971
Materials and Supplies Inventory	24,392
Prepaid Items	46,123
Property Taxes Receivable	4,489,400
Payment in Lieu of Taxes Receivable	14,759
Nondepreciable Capital Assets	333,075
Depreciable Capital Assets, Net	4,412,250
Total Assets	18,539,360
 Liabilities	
Accounts Payable	28,208
Accrued Wages and Benefits Payable	1,091,863
Matured Compensated Absences Payable	13,475
Intergovernmental Payable	186,878
Claims Payable	98,000
Deferred Revenue	2,752,136
Vacation Benefits Payable	78,892
Long-Term Liabilities:	
Due Within One Year	90,373
Due In More Than One Year	807,581
Total Liabilities	5,147,406
 Net Assets	
Invested in Capital Assets, Net of Related Debt	4,465,911
Restricted for:	
Capital Projects	2,391,379
Budget Stabilization	45,566
Other Purposes	993,577
Unrestricted	5,495,521
Total Net Assets	\$13,391,954

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

Mid-East Career and Technology Centers, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net Expense and Change in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$1,551,705	\$31,335	\$8,339	\$4,020	(\$1,508,011)
Vocational	5,280,689	228,013	1,741,322	30,153	(3,281,201)
Adult/Continuing	1,635,550	759,864	719,288	4,247	(152,151)
Support Services:					
Pupils	1,159,117	17,016	273,484	0	(868,617)
Instructional Staff	692,653	90,570	278,344	0	(323,739)
Board of Education	120,329	2,262	213	0	(117,854)
Administration	1,067,532	19,654	8,058	0	(1,039,820)
Fiscal	518,761	38,161	16,609	0	(463,991)
Business	179,865	5,382	506	0	(173,977)
Operation and Maintenance of Plant	1,396,884	23,710	3,960	0	(1,369,214)
Pupil Transportation	62,387	686	65	0	(61,636)
Central	235,845	3,909	29,903	0	(202,033)
Operation of Non-Instructional Services	362,638	206,987	107,769	0	(47,882)
Extracurricular Activities	71,885	9,706	113	0	(62,066)
Interest	4,773	0	0	0	(4,773)
Total Governmental Activities	\$14,340,613	\$1,437,255	\$3,187,973	\$38,420	(9,676,965)
General Revenues					
Property Taxes Levied for General Purposes					4,680,615
Payment in Lieu of Taxes					22,692
Grants and Entitlements not Restricted to Specific Programs					5,505,543
Investment Earnings					108,840
Miscellaneous					28,211
Total General Revenues					10,345,901
Change in Net Assets					668,936
Net Assets Beginning of Year					12,723,018
Net Assets End of Year					\$13,391,954

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

Mid-East Career and Technology Centers, Ohio
Balance Sheet
Governmental Funds
June 30, 2004

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,051,388	\$746,961	\$2,362,371	\$404,042	\$8,564,762
Inventory Held for Resale	0	0	0	6,971	6,971
Materials and Supplies Inventory	19,465	0	0	4,927	24,392
Accounts Receivable	29,756	0	0	20	29,776
Intergovernmental Receivable	3,892	80,906	0	215,309	300,107
Interfund Receivable	153,000	0	0	0	153,000
Prepaid Items	42,110	866	0	3,147	46,123
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	45,566	0	0	0	45,566
Payment In Lieu of Taxes Receivable	14,759	0	0	0	14,759
Property Taxes Receivable	4,489,400	0	0	0	4,489,400
Total Assets	<u>\$9,849,336</u>	<u>\$828,733</u>	<u>\$2,362,371</u>	<u>\$634,416</u>	<u>\$13,674,856</u>
Liabilities					
Accounts Payable	\$22,134	\$1,517	\$3,700	\$857	\$28,208
Accrued Wages and Benefits Payable	920,298	66,198	0	105,367	1,091,863
Matured Compensated Absences Payable	11,025	0	0	2,450	13,475
Intergovernmental Payable	132,953	10,408	0	16,457	159,818
Interfund Payable	0	0	0	153,000	153,000
Deferred Revenue	3,151,524	66,114	0	146,270	3,363,908
Total Liabilities	<u>4,237,934</u>	<u>144,237</u>	<u>3,700</u>	<u>424,401</u>	<u>4,810,272</u>
Fund Balances					
Reserved for Encumbrances	99,419	16,619	47,200	31,722	194,960
Reserved for Unclaimed Monies	7,065	0	0	0	7,065
Reserved for Budget Stabilization	45,566	0	0	0	45,566
Reserved for Property Taxes	1,337,876	0	0	0	1,337,876
Unreserved:					
Designated:					
Designated for Budget Stabilization	128,102	0	0	0	128,102
Undesignated, Reported in:					
General Fund	3,993,374	0	0	0	3,993,374
Special Revenue Funds	0	667,877	0	145,585	813,462
Capital Projects Funds	0	0	2,311,471	32,708	2,344,179
Total Fund Balances	<u>5,611,402</u>	<u>684,496</u>	<u>2,358,671</u>	<u>210,015</u>	<u>8,864,584</u>
Total Liabilities and Fund Balances	<u>\$9,849,336</u>	<u>\$828,733</u>	<u>\$2,362,371</u>	<u>\$634,416</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					4,745,325
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:					
				399,388	
				212,384	
				<u>611,772</u>	
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.					174,179
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.					(27,060)
Vacation benefits payable include amounts not expected to be paid with expendable available financial resources and therefore not reported in the funds.					(78,892)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:					
				(197,292)	
				(82,122)	
				(618,540)	
				<u>(897,954)</u>	
Net Assets of Governmental Activities					<u>\$13,391,954</u>

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

Mid-East Career and Technology Centers, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$4,743,163	\$0	\$0	\$0	\$4,743,163
Payment in Lieu of Taxes	22,692	0	0	0	22,692
Intergovernmental	6,747,029	475,869	0	1,595,743	8,818,641
Interest	75,280	0	30,650	1,514	107,444
Tuition and Fees	0	873,270	0	152,673	1,025,943
Charges for Services	204,331	0	0	206,981	411,312
Miscellaneous	13,717	0	0	14,494	28,211
Total Revenues	11,806,212	1,349,139	30,650	1,971,405	15,157,406
Expenditures					
Current:					
Instruction:					
Regular	1,545,631	0	0	17,247	1,562,878
Vocational	4,542,063	0	0	709,772	5,251,835
Adult/Continuing	14,859	1,248,090	0	349,347	1,612,296
Support Services:					
Pupils	872,524	0	0	272,857	1,145,381
Instructional Staff	319,361	159,703	0	252,688	731,752
Board of Education	119,085	0	0	0	119,085
Administration	1,016,345	0	0	6,214	1,022,559
Fiscal	473,996	47,779	0	0	521,775
Business	249,049	0	0	0	249,049
Operation and Maintenance of Plant	1,244,016	0	130,048	1,710	1,375,774
Pupil Transportation	35,225	0	0	0	35,225
Central	207,774	0	0	29,396	237,170
Operation of Non-Instructional Services	302	0	0	351,674	351,976
Extracurricular Activities	63,247	0	0	8,638	71,885
Capital Outlay	0	0	35,941	0	35,941
Debt Service:					
Principal Retirement	39,769	0	65,765	0	105,534
Interest and Fiscal Charges	4,773	0	0	0	4,773
Total Expenditures	10,748,019	1,455,572	231,754	1,999,543	14,434,888
Excess of Revenues Over/(Under) Expenditures	1,058,193	(106,433)	(201,104)	(28,138)	722,518
Other Financing Sources (Uses)					
Transfers In	0	0	165,765	75,667	241,432
Transfers Out	(241,432)	0	0	0	(241,432)
Inception of Capital Lease	82,122	0	0	0	82,122
Total Other Financing Sources (Uses)	(159,310)	0	165,765	75,667	82,122
Net Change in Fund Balances	898,883	(106,433)	(35,339)	47,529	804,640
Fund Balances Beginning of Year	4,712,519	790,929	2,394,010	162,486	8,059,944
Fund Balances End of Year	\$5,611,402	\$684,496	\$2,358,671	\$210,015	\$8,864,584

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

Mid-East Career and Technology Centers, Ohio
 Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$804,640

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

	Capital Asset Additions	195,048	
	Current Year Depreciation	<u>(301,762)</u>	(106,714)

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

(57,625)

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

	Grants	(88,219)	
	Delinquent Property Taxes	<u>(62,548)</u>	(150,767)

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

65,765

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

39,769

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets

(82,122)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

	Compensated Absences	(8,883)	
	Vacation Benefits	(8,568)	
	Intergovernmental Payable	<u>(13,321)</u>	(30,772)

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

186,762

Change in Net Assets of Governmental Activities

\$668,936

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

Mid-East Career and Technology Centers, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,127,000	\$4,127,000	\$4,466,529	\$339,529
Payment in Lieu of Taxes	18,459	18,459	16,096	(2,363)
Intergovernmental	6,710,000	6,710,000	6,746,024	36,024
Interest	110,000	110,000	76,187	(33,813)
Tuition and Fees	500	500	0	(500)
Charges for Services	246,650	246,650	211,666	(34,984)
Rentals	500	500	0	(500)
Miscellaneous	45,556	45,556	16,321	(29,235)
Total Revenues	11,258,665	11,258,665	11,532,823	274,158
Expenditures				
Current:				
Instruction:				
Regular	1,515,606	1,546,941	1,523,296	23,645
Vocational	4,598,661	4,525,105	4,504,701	20,404
Adult/Continuing	18,914	18,914	14,874	4,040
Support Services:				
Pupils	961,687	909,587	907,859	1,728
Instructional Staff	311,339	344,532	333,698	10,834
Board of Education	147,514	118,494	114,154	4,340
Administration	1,051,164	1,050,164	1,021,850	28,314
Fiscal	569,072	518,722	502,115	16,607
Business	255,157	258,957	222,269	36,688
Operation and Maintenance of Plant	1,256,371	1,253,571	1,284,613	(31,042)
Pupil Transportation	42,865	42,865	40,606	2,259
Central	246,281	234,781	210,970	23,811
Operation of Non-Instructional Services	1,430	1,430	302	1,128
Extracurricular Activities	46,921	46,921	63,460	(16,539)
Total Expenditures	11,022,982	10,870,984	10,744,767	126,217
Excess of Revenues Over Expenditures	235,683	387,681	788,056	400,375
Other Financing Sources (Uses)				
Advances In	192,000	192,000	192,659	659
Transfers Out	(65,765)	(212,765)	(241,432)	(28,667)
Advances Out	(185,000)	(190,000)	(153,000)	37,000
Total Other Financing Sources (Uses)	(58,765)	(210,765)	(201,773)	8,992
Net Change in Fund Balance	176,918	176,916	586,283	409,367
Fund Balance Beginning of Year	4,295,895	4,295,895	4,295,895	0
Prior Year Encumbrances Appropriated	82,374	82,374	82,374	0
Fund Balance End of Year	\$4,555,187	\$4,555,185	\$4,964,552	\$409,367

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

Mid-East Career and Technology Centers, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Adult Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$452,585	\$452,585	\$479,739	\$27,154
Tuition and Fees	<u>1,392,749</u>	<u>1,392,749</u>	<u>873,428</u>	<u>(519,321)</u>
Total Revenues	<u>1,845,334</u>	<u>1,845,334</u>	<u>1,353,167</u>	<u>(492,167)</u>
Expenditures				
Current:				
Instruction:				
Adult/Continuing	1,513,390	1,510,831	1,260,905	249,926
Support Services:				
Instructional Staff	239,170	239,170	173,791	65,379
Fiscal	<u>52,920</u>	<u>52,920</u>	<u>47,364</u>	<u>5,556</u>
Total Expenditures	<u>1,805,480</u>	<u>1,802,921</u>	<u>1,482,060</u>	<u>320,861</u>
Net Change in Fund Balance	39,854	42,413	(128,893)	(171,306)
Fund Balance Beginning of Year	855,160	855,160	855,160	0
Prior Year Encumbrances Appropriated	<u>2,558</u>	<u>2,558</u>	<u>2,558</u>	<u>0</u>
Fund Balance End of Year	<u>\$897,572</u>	<u>\$900,131</u>	<u>\$728,825</u>	<u>(\$171,306)</u>

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

Mid-East Career and Technology Centers, Ohio
Statement of Fund Net Assets
Health Self-Insurance Internal Service Fund
June 30, 2004

Current Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$272,179</u>
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Total Assets	272,179
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Current Liabilities

Claims Payable	<u>98,000</u>
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Net Assets

Unrestricted	<u><u>\$174,179</u></u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

Mid-East Career and Technology Centers, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2004

Operating Revenues	
Charges for Services	<u>\$1,491,111</u>
Operating Expenses	
Purchased Services	203,176
Claims	<u>1,104,083</u>
Total Operating Expenses	<u>1,307,259</u>
Operating Income	183,852
Non-Operating Revenues	
Interest	<u>2,910</u>
Change in Net Assets	186,762
Net Assets (Deficit) Beginning of Year	<u>(12,583)</u>
Net Assets End of Year	<u><u>\$174,179</u></u>

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

Mid-East Career and Technology Centers, Ohio
Statement of Cash Flows
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2004

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Interfund Services Provided	\$1,491,417
Cash Payments for Goods and Services	(203,176)
Cash Payments for Claims	<u>(1,144,083)</u>

Net Cash Provided by Operating Activities 144,158

Cash Flows from Investing Activities

Interest on Investments	<u>2,910</u>
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Net Increase in Cash and Cash Equivalents 147,068

Cash and Cash Equivalents Beginning of Year 125,111

Cash and Cash Equivalents End of Year \$272,179

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income \$183,852

Changes in Assets and Liabilities

Decrease in Accounts Receivable	306
Decrease in Claims Payable	<u>(40,000)</u>

Net Cash Provided by Operating Activities \$144,158

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

Mid-East Career and Technology Centers, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$102	\$45,624
Investments	366,461	0
Total Assets	366,563	\$45,624
Liabilities		
Due to Students	0	\$45,624
Total Liabilities	0	\$45,624
Net Assets		
Held in Trust for Students	\$366,563	

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

Mid-East Career and Technology Centers, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust
Additions	
Interest	\$2,572
Increase in Fair Value of Investments	45,090
	47,662
Total Additions	47,662
Deductions	
Payments for Scholarships	2,470
	45,192
Change in Net Assets	45,192
Net Assets Beginning of Year	321,371
	366,563
Net Assets End of Year	\$366,563

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

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the School District and Reporting Entity

On April 12, 1965, the State of Ohio Board of Education approved the creation of the Muskingum Area Joint Vocational School District. In 1985, the School District name was changed to the Mid-East Ohio Vocational School District, and on August 11, 2003, the School District name was changed to the Mid-East Career and Technology Centers. The School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school.

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

The School District operates under a thirteen member appointed Board of Education and is responsible for the provision of public education to residents of the School District. The Board consists of one member from the Boards of Education of each of the above districts, with the exception of Northern Local School District's representative, who is appointed from the Perry County Board of Education.

Reporting Entity

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mid-East Career and Technology Centers, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), which is defined as a jointly governed organization, and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, which are defined as group insurance purchasing pools. Additional information concerning these organizations is presented in Note 18.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's three major Governmental Funds:

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

Adult Education The Adult Education Special Revenue Fund accounts for all transactions made in connection with adult education classes.

Permanent Improvement The Permanent Improvement Capital Projects Fund accounts for the transactions related to the acquiring, construction, or improving of permanent improvements within the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

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

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for a college scholarship program for nursing students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and pell grants.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Also, delinquent property taxes receivable have been shown as deferred revenue on the modified accrual basis and as property tax revenue on the accrual basis. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2004, the School District's investments were limited to federal agency securities, stocks, repurchase agreements, and STAROhio. Repurchase agreements are reported at cost. Investments in federal agency securities and stocks are stated at fair value based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Based upon Board policy, the District distributes interest to the General Fund, Permanent Improvement Capital Projects Fund, Fox Scholarship Special Revenue Fund, Food Service Special Revenue Fund, and Rogge Trust Scholarship Private Purpose Trust Fund. The Health Self-Insurance Internal Service Fund receives interest from its individual bank accounts. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$75,280, which includes \$17,418 assigned from other School District funds.

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

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food.

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as interfund receivables/payables. These amounts are eliminated on the statement of net assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

are to be used by employees in the fiscal year following the fiscal year earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District and who are within ten years of retirement.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. School loans and leases are recognized as a liability on the governmental fund financial statements when due.

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization. See Note 20 for additional information regarding set asides.

N. Fund Balance Reserves and Designations

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

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

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

O. Net Assets

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

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

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
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management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 - Change in Accounting Principle

For fiscal year 2004, the School District implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". This statement further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of the new statement had no effect on the School District's financial statements for fiscal year 2003.

Note 4 - Accountability

At June 30, 2004, the Vocational Education Special Revenue Fund had a deficit fund balance in the amount of \$63,733. This deficit is due to adjustments for accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
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Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Adult Education Special Revenue Fund:

Net Change in Fund Balance

	<u>General</u>	<u>Adult Education</u>
GAAP Basis	\$898,883	(\$106,433)
Net Adjustment for Revenue Accruals	(354,604)	4,186
Unrecorded Cash - Prior Year	(19)	(158)
Unrecorded Cash - Current Year	15	0
GASB 31 Adjustment	(903)	0
Prepaid Items - Prior Year	0	3,556
Prepaid Items - Current Year	(42,110)	(866)
Net Adjustment for Expenditure Accruals	178,662	(11,042)
Advances In	192,659	0
Advances Out	(153,000)	0
Encumbrances	(133,300)	(18,136)
Budget Basis	<u>\$586,283</u>	<u>(\$128,893)</u>

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

Mid-East Career and Technology Centers, Ohio
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6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Unrecorded Cash At fiscal year end, the School District had \$15 in unrecorded cash which is included on the balance sheet/statement of net assets of the School District as part of "Cash and Cash Equivalents".

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$7,530,470 and the bank balance was \$7,672,955. Of the bank balance:

1. \$482,146 was covered by federal depository insurance or insured by securities held by the School District in the School District's name;
2. \$7,190,809 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC; and,

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

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Investment	Category 1	Category 3	Carrying and Fair Value	Rate	Maturity
Government Securities:					
Federal Home Loan Bank Bonds	\$199,838	\$0	\$199,838	2.75%	12/08/06
Federal Home Loan Mortgage Corporation	199,831	0	199,831	2.50%	06/29/07
Federal National Mortgage Association Bonds	199,057	0	199,057	4.00%	05/27/09
Federal National Mortgage Association Bonds	200,371	0	200,371	4.25%	06/08/09
Repurchase Agreements	0	481,742	481,742	5.50%	N/A
Massachussets Investment Trust Stocks	366,461	0	366,461	N/A	N/A
STAR Ohio	0	0	116,909	N/A	N/A
Total	<u>\$1,165,558</u>	<u>\$481,742</u>	<u>\$1,764,209</u>		

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

	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement 9	\$8,928,233	\$366,461
Unrecorded Cash	(15)	0
Investments:		
Repurchase Agreements	(481,742)	481,742
Federal Agency Securities	(799,097)	799,097
STAR Ohio	(116,909)	116,909
GASB Statement 3	<u>\$7,530,470</u>	<u>\$1,764,209</u>

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Mid-East Career and Technology Centers, Ohio
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Tangible personal property tax revenues received in calendar 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Mid-East Career and Technology Centers. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal taxes which were measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2004, \$1,337,876 was available as an advance in the General Fund. The amount available as an advance at June 30, 2003, was \$1,061,242 in the General Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,577,670,830	79.29%	\$1,742,548,950	81.28%
Public Utility Personal	152,695,220	7.67%	151,775,160	7.08%
Tangible Personal Property	259,506,835	13.04%	249,476,312	11.64%
Total	\$1,989,872,885	100.00%	\$2,143,800,422	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$3.20		 \$3.20	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

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A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Adult Education Grant	\$66,114
ABLE Grant	94,593
Vocational Education Grant	104,786
Breakfast and Lunch Program	8,754
Miscellaneous Federal Grants	7,176
Miscellaneous Reimbursements	18,684
Total	\$300,107

Note 9 - Interfund Balances

At June 30, 2004, the General Fund had an interfund receivable from the Vocational Education and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$85,000 and \$68,000, respectively, on the balance sheet. These transactions are the result of interfund loans used to provide cash flow resources until the receipt of grant monies.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Nondepreciable Capital Assets				
Land	\$333,075	\$0	\$0	\$333,075
Depreciable Capital Assets				
Buildings and Improvements	9,690,333	35,941	(16,782)	9,709,492
Vehicles	343,891	21,500	0	365,391
Machinery, Equipment, Furniture and Fixtures	1,472,670	137,607	(54,830)	1,555,447
Total Capital Assets Being Depreciated	11,506,894	195,048	(71,612)	11,630,330
Less Accumulated Depreciation:				
Buildings and Improvements	(5,819,367)	(191,019)	3,021	(6,007,365)
Vehicles	(226,789)	(27,030)	0	(253,819)
Machinery, Equipment, Furniture and Fixtures	(884,149)	(83,713)	10,966	(956,896)
Total Accumulated Depreciation	(6,930,305)	(301,762) *	13,987	(7,218,080)
Total Capital Assets Being Depreciated, Net	4,576,589	(106,714)	(57,625)	4,412,250
Governmental Activities Capital Assets, Net	\$4,909,664	(\$106,714)	(\$57,625)	\$4,745,325

Mid-East Career and Technology Centers, Ohio
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For the Fiscal Year Ended June 30, 2004

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$12,101
Vocational	140,512
Adult/Continuing	22,293
Support Services:	
Pupils	4,156
Instructional Staff	5,898
Board of Education	1,244
Administration	15,823
Fiscal	3,753
Business	11,175
Operation and Maintenance of Plant	44,567
Pupil Transportation	26,291
Central	4,298
Non-Instructional Services	9,651
Total Governmental Depreciation	\$301,762

Note 11 - Interfund Transfers

Interfund transfers for the year ended June 30, 2004 consisted of the following:

Transfer From	Transfer To		Total
	Permanent Improvement	Other Nonmajor Governmental	
General Fund	\$165,765	\$75,667	\$241,432

Transfers made during fiscal year 2004 were \$241,432 from the General fund to the Permanent Improvement Capital Projects Fund for \$165,765 to keep a working balance in the fund as well as to also cover payments for the School District's building loan, \$30,000 to the Food Service fund to provide the fund with a positive balance and \$45,667 to the Severance Fund for the setup of a fund to cover the School District's severance costs in future fiscal years.

Note 12 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District purchased the following coverage:

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

During fiscal year 2004, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 18)

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

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

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

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

B. Workers' Compensation

For fiscal year 2004, the School District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), a group insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

Health and dental coverage is provided through a self-insurance internal service fund, administered by Central Benefits. The School District pays into the health self-insurance internal service fund \$934.70 for family coverage (90% of required premium) or \$293.70 for individual coverage (90% of required premium) per month for employees. The School District pays into the dental self-insurance internal service fund \$42.30 for family and single coverage (90% of required premium) for employees. These premiums are paid by the fund that pays the salary for the employee and is based on historical cost information. The claims liability of \$98,000 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000 annually. In addition, the School District has contracted for excess stop-loss coverage with a maximum allowable covered expense per individual of \$60,000 annually.

Changes in the fund's claims liability amount in 2003 and 2004 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$176,000	\$1,210,046	\$1,248,046	\$138,000
2004	\$138,000	\$1,104,083	\$1,144,083	\$98,000

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment for up to one year's accrual plus 5 days. Administrators and teachers who work less than 260 days per year do not earn vacation time. Vacation accruals must be used within the same year that it is earned. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 225 days for certified employees and up to 250 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation up to 30 days.

B. Insurance

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

Note 14 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$160,396, \$135,885 and \$83,128, respectively; 94 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$9,394 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

Mid-East Career and Technology Centers, Ohio
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B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$780,539, \$523,734, and \$354,294 respectively; 88 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$855 made by the School District and \$7,772 made by the plan members.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2004, there are six employees who have elected Social Security.

Note 15 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$60,041 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at 24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$113,698.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 16 - Capital Leases - Lessee Disclosure

In previous years, School District has entered into capitalized leases for two copying machines. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from support services – business and are reflected as debt service expenditures in the financial statements for the General Fund.

During fiscal year 2004 the School District paid off their equipment leases with Xerox to enter into a new leasing agreement with Canon. Actual principal payments in fiscal year 2004 totaled \$10,541. The remaining outstanding balance of \$29,228 was reimbursed to the School District by the leasing company. The new equipment has been capitalized in the amount of \$82,122, the present value of the minimum lease payments at the inception of the lease.

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, 2004:

Fiscal Year Ending June 30,	Governmental Activities
2005	\$16,424
2006	16,424
2007	16,424
2008	16,424
2009	16,426
Subtotal	82,122
Less Amount Representing Interest	0
Present Value of Net Minimum Lease Payments	\$82,122

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 17 – Long-Term Obligations

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

	Outstanding 06/30/03	Additions	Reductions	Outstanding 06/30/04	Due in One Year
Governmental Activities:					
\$986,472 - 1992 Building Construction					
Assistance Loan - Interest Free	\$263,057	\$0	(\$65,765)	\$197,292	\$65,765
Capital Leases Payable - Interest Free	39,769	82,122	(39,769)	82,122	16,424
Compensated Absences	609,657	30,744	(21,861)	618,540	8,184
Total Governmental Activities					
Long-Term Liabilities	\$912,483	\$112,866	(\$127,395)	\$897,954	\$90,373

On November 29, 1991, the School District received an interest free Building Construction Assistance Loan from the State Department of Education for \$986,472, for construction projects at the Muskingum Perry and Guernsey Noble Career Centers which will be paid from the Permanent Improvement Capital Projects Fund. Capital lease obligations will be paid from the General Fund. The School District will pay compensated absences from the fund which employees are paid. These funds include the General Fund, Food Service, Adult Education, Miscellaneous Federal Grants and Vocational Education Federal Grant Special Revenue Funds.

Principal requirements to retire the Building Construction Assistance Loan outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal
2005	\$65,765
2006	65,765
2007	65,762
Total	\$197,292

The overall debt margin of the School District as of June 30, 2004, was \$192,942,038, with an unvoted debt margin of \$2,143,800.

Note 18 - Jointly Governed Organization and Insurance Purchasing Pools

A. Jointly Governed Organization

The ***Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)*** was created as a regional council of governments pursuant to State statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payment for computer services to OME-RESA in fiscal year 2004 was \$21,483. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

B. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District was not required to pay an enrollment fee for fiscal year 2004.

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

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

B. Litigation

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

Note 20 - Set-Asides

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

Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the workers' compensation refunds.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2003	\$0	\$0	\$45,566
Carry over from prior year	(432,478)	(2,100,000)	0
Current year set-aside requirement	140,701	140,701	0
Current year offsets	0	(100,000)	0
Qualifying disbursements	(497,677)	(440,712)	0
Total	<u>(\$789,454)</u>	<u>(\$2,500,011)</u>	<u>\$45,566</u>
Set-aside balance carried forward to future fiscal years	(\$789,454)	(\$2,200,000)	\$0
Set-aside reserve balance as of June 30, 2004	\$0	\$0	\$45,566

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for textbooks and capital improvements. This extra amount may be used to reduce the set-aside requirement of future years for textbooks. The excess monies from transfers from the General Fund to the Permanent Improvement Capital Projects Fund in the current and previous fiscal years may be used to reduce the capital set-aside in future fiscal years.

Note 21- State School Funding Decision

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

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

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**MID EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Noncash Receipts	Cash Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550		\$23,158		\$23,158
National School Lunch Program	51300-LL-P4-02/03	10.555	79,848		79,848	
Total Nutrition Cluster			79,848	23,158	79,848	23,158
Child and Adult Care Food Program	51300-CC-02/03	10.558	12,065		12,065	
Total United States Department of Agriculture			91,913	23,158	91,913	23,158
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education: State Grant Program	51300-AB-S1-03	84.002	100,234		100,234	
	51300-AB-S1-03C	84.002	58,300		27,257	
	51300-AB-S1-04	84.002	208,818		210,510	
Total Adult Education: State Grant Program			367,352		338,001	
Vocational Education: Basic Grants to States	51300-20-C1-03	84.048	89,607		95,366	
	51300-20-C2-03	84.048	18,852		5,986	
	51300-20-C1-04	84.048	446,002		435,791	
	51300-20-C2-04	84.048	126,644		124,643	
Total Vocational Education: Basic Grants to States			681,105		661,786	
Safe and Drug Free-Schools and Communities State Grant	51300-DR-S1-03	84.186	573		541	
Innovative Education Program Strategies	51300-C2-S1-04	84.298	3,927		1,308	
	51300-C2-S1-02	84.298	0		750	
	51300-C2-S1-03	84.298	1,361		1,099	
Total State Grants for Innovative Programs			5,288		3,157	
Improving Teacher Quality: State Grants	51300-TR-S1-03	84.367	(414)		346	
	51300-TR-S1-03	84.367	2,337		8,572	
Total Improving Teacher Quality: State Grants			1,923		8,918	
<i>Direct from United States Department of Education:</i>						
Federal Pell Grant Program	N/A	84.063	240,093		240,093	
Total United States Department of Education			1,296,334	0	1,252,496	0
Total Federal Awards Receipts and Expenditures			\$1,388,247	\$23,158	\$1,344,409	\$23,158

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

**MID EAST-CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

NOTE C – TRANSFERS DUE TO REALLOCATION

Ohio Department of Education (ODE) permitted School Districts to reallocate funding between certain Federal programs, including, but not limited to, CFDA No. 84.186 (Drug Free School and Communities Grant) and 84.298 (Innovative Education Program Strategies Grant). The School District reallocated \$895 between these two programs in January 2004.

The following table summarizes the transfers to eliminate and reallocate funding between Federal programs.

	CFDA No. 84.186	CFDA No. 84.298
Grant Funds Received	\$1,468	\$4,393
Transfer to Reallocate	(\$895)	\$895
Receipts Per Schedule	\$573	\$5,288



**Auditor of State
Betty Montgomery**

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

Mid-East Career and Technology Centers
Muskingum County
400 Richards Road
Zanesville, Ohio 43701

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2005. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Mid-East Career and Technology Centers
Muskingum County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

January 7, 2005



Auditor of State Betty Montgomery

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

Mid-East Career and Technology Centers
Muskingum County
400 Richards Road
Zanesville, Ohio 43701

To the Board of Education:

Compliance

We have audited the compliance of the Mid-East Career and Technology Centers, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

January 7, 2005

**MID-EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

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):	Vocational Education: Basic Grants to States, CFDA #84.048.
<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.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

MID-EAST CAREER AND TECHNOLOGY CENTERS

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2005**