

**MOUNT VERNON CITY SCHOOL DISTRICT**

**KNOX COUNTY**

**SINGLE AUDIT**

June 30, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Mount Vernon City School District, Knox County, prepared by Wilson, Shannon & Snow, Inc. for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

December 30, 2002

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**Mount Vernon City School District  
Knox County**

June 30, 2002

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

### **Independent Auditor's Report**

We have audited the accompanying general-purpose financial statements of Mount Vernon City School District, Knox County, Ohio (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
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Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Wilson, Sherman & Snow, Inc.*

Newark, Ohio  
December 4, 2002



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**MOUNT VERNON CITY SCHOOL DISTRICT  
KNOX COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 16,002,361	\$ 558,922	\$ 751,333	\$ 1,989,258
Receivables:				
Taxes	13,259,039	-	896,770	596,884
Accounts	72,099	2,025	-	-
Intergovernmental	-	429	-	-
Interfund Receivable	17,027	-	-	-
Materials and Supplies Inventory	-	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
<b>Other Debits:</b>				
Amount Available in Debt Service Fund	-	-	-	-
Provided from General Government Resources	-	-	-	-
<b>Total Assets and Other Debits</b>	<b><u>\$ 29,350,526</u></b>	<b><u>\$ 561,376</u></b>	<b><u>\$ 1,648,103</u></b>	<b><u>\$ 2,586,142</u></b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 332,945	\$ 119,445	\$ -	\$ 15,660
Accrued Wages and Benefits	1,904,939	108,463	-	-
Compensated Absences Payable	40,100	154	-	-
Interfund Payable	-	15,899	-	-
Intergovernmental Payable	365,431	10,612	-	-
Deferred Revenue	9,176,019	429	611,677	446,882
Due to Students	-	-	-	-
Claims Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
Energy Conservation Loan Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
<b>Total Liabilities</b>	<b><u>11,819,434</u></b>	<b><u>255,002</u></b>	<b><u>611,677</u></b>	<b><u>462,542</u></b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	616,319	52,515	-	557,456
Reserved for Advances	17,027	-	-	-
Reserved for Property Taxes	4,083,020	-	285,093	150,002
Unreserved:				
Unreserved, Undesignated	12,814,726	253,859	751,333	1,416,142
<b>Total Fund Equity and Other Credits</b>	<b><u>17,531,092</u></b>	<b><u>306,374</u></b>	<b><u>1,036,426</u></b>	<b><u>2,123,600</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$ 29,350,526</u></b>	<b><u>\$ 561,376</u></b>	<b><u>\$ 1,648,103</u></b>	<b><u>\$ 2,586,142</u></b>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 445,244	\$ 641,686	\$ 43,329	\$ -	\$ -	\$ 20,432,133
-	-	-	-	-	14,752,693
3,238	-	150	-	-	77,512
52,205	-	-	-	-	52,634
-	-	-	-	-	17,027
23,999	-	-	-	-	23,999
567,660	-	-	26,942,938	-	27,510,598
(365,436)	-	-	-	-	(365,436)
-	-	-	-	1,036,426	1,036,426
-	-	-	-	10,418,915	10,418,915
<u>\$ 726,910</u>	<u>\$ 641,686</u>	<u>\$ 43,479</u>	<u>\$ 26,942,938</u>	<u>\$ 11,455,341</u>	<u>\$ 73,956,501</u>
\$ 16,643	\$ -	\$ 1,515	\$ -	\$ -	\$ 486,208
11,256	-	-	-	-	2,024,658
24,813	514	-	-	1,182,443	1,248,024
-	-	1,128	-	-	17,027
18,799	636	-	-	161,474	556,952
-	-	-	-	-	10,235,007
-	-	37,024	-	-	37,024
-	376,037	-	-	-	376,037
-	-	-	-	320,490	320,490
-	-	-	-	550,934	550,934
-	-	-	-	9,240,000	9,240,000
<u>71,511</u>	<u>377,187</u>	<u>39,667</u>	<u>-</u>	<u>11,455,341</u>	<u>25,092,361</u>
-	-	-	26,942,938	-	26,942,938
13,427	-	-	-	-	13,427
641,972	264,499	-	-	-	906,471
-	-	-	-	-	1,226,290
-	-	-	-	-	17,027
-	-	-	-	-	4,518,115
-	-	3,812	-	-	15,239,872
<u>655,399</u>	<u>264,499</u>	<u>3,812</u>	<u>26,942,938</u>	<u>-</u>	<u>48,864,140</u>
<u>\$ 726,910</u>	<u>\$ 641,686</u>	<u>\$ 43,479</u>	<u>\$ 26,942,938</u>	<u>\$ 11,455,341</u>	<u>\$ 73,956,501</u>

**MOUNT VERNON CITY SCHOOL DISTRICT  
KNOX COUNTY**

**Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$ 12,405,406	\$ 1,887,569
Interest	420,668	-
Tuition and Fees	646,374	-
Rent	2,954	1,800
Extracurricular Activities	13,163	136,631
Gifts and Donations	430,316	104,062
Property & Other Local Taxes	11,945,376	-
Miscellaneous	587,628	768
<b>Total Revenues</b>	<b>26,451,885</b>	<b>2,130,830</b>
<b>Expenditures:</b>		
Instruction:		
Regular	12,511,500	348,073
Special	1,913,454	870,501
Vocational	256,992	-
Support services:		
Pupils	1,306,706	198,865
Instructional Staff	1,387,969	259,170
Board of Education	38,190	-
Administration	1,716,167	79,236
Fiscal	1,293,438	15,844
Business	158,327	-
Operation and Maintenance of Plant	2,052,762	31,500
Pupil Transportation	1,009,865	-
Central	23,878	-
Non-Instructional Services	-	166,849
Extracurricular activities	379,784	120,972
Capital Outlay	349,510	-
Debt Service		
Debt Service - Principal	38,907	-
Debt Service - Interest	13,948	-
<b>Total Expenditures</b>	<b>24,451,397</b>	<b>2,091,010</b>
Excess of Revenues Over (Under) Expenditures	<b>2,000,488</b>	<b>39,820</b>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In	-	-
Proceeds from Sale of Fixed Assets	1,275	-
Refund of Prior Year Expenditures	1,505	-
Inception of Capital Lease	349,510	-
Operating Transfers Out	(86,885)	-
<b>Total Other Financing Sources (Uses)</b>	<b>265,405</b>	<b>-</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>2,265,893</b>	<b>39,820</b>
Fund Balance at Beginning of Year	15,265,199	266,554
<b>Fund Balance at End of Year</b>	<b>\$ 17,531,092</b>	<b>\$ 306,374</b>

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

Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$ 82,929	\$ 114,388	\$ -	\$	14,490,292
-	62,369	-		483,037
-	-	-		646,374
-	-	-		4,754
-	-	-		149,794
-	2,770	-		537,148
803,487	549,195	-		13,298,058
-	-	-		588,396
<u>886,416</u>	<u>728,722</u>	<u>-</u>		<u>30,197,853</u>
-	146,505	-		13,006,078
-	3,035	-		2,786,990
-	-	-		256,992
-	-	-		1,505,571
-	60,557	-		1,707,696
-	-	-		38,190
-	-	39		1,795,442
18,124	13,067	-		1,340,473
-	-	-		158,327
-	-	-		2,084,262
-	-	-		1,009,865
-	-	-		23,878
-	-	-		166,849
-	-	-		500,756
-	491,257	-		840,767
332,913	-	-		371,820
625,924	-	-		639,872
<u>976,961</u>	<u>714,421</u>	<u>39</u>		<u>28,233,828</u>
<u>(90,545)</u>	<u>14,301</u>	<u>(39)</u>		<u>1,964,025</u>
86,885	-	-		86,885
-	-	-		1,275
-	-	-		1,505
-	-	-		349,510
-	-	-		(86,885)
<u>86,885</u>	<u>-</u>	<u>-</u>		<u>352,290</u>
(3,660)	14,301	(39)		2,316,315
1,040,086	2,109,299	886		18,682,024
<u>\$ 1,036,426</u>	<u>\$ 2,123,600</u>	<u>\$ 847</u>	<u>\$</u>	<u>20,998,339</u>

**MOUNT VERNON CITY SCHOOL DISTRICT  
KNOX COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002**

	<b>Governmental Fund Types</b>		
	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 616,026	\$ 12,405,406	\$ 11,789,380
Interest	-	420,668	420,668
Tuition and Fees	-	679,925	679,925
Rent	-	2,954	2,954
Extracurricular Activities	-	13,162	13,162
Gifts and Donations	-	430,316	430,316
Property & Other Local Taxes	11,601,227	12,018,956	417,729
Miscellaneous	-	535,855	535,855
<b>Total Revenues</b>	<b>12,217,253</b>	<b>26,507,242</b>	<b>14,289,989</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	12,554,337	12,554,337	-
Special	2,070,816	2,070,816	-
Vocational	267,073	267,073	-
Support services:			
Pupils	1,369,174	1,369,174	-
Instructional Staff	1,442,739	1,442,739	-
Board of Education	39,309	39,309	-
Administration	1,759,228	1,759,228	-
Fiscal	2,007,266	1,315,666	691,600
Business	159,454	159,454	-
Operation and Maintenance of Plant	2,363,193	2,363,193	-
Pupil Transportation	1,104,764	1,026,950	77,814
Central	23,878	23,878	-
Non-Instructional Services	-	-	-
Extracurricular activities	379,532	379,532	-
Capital Outlay	-	-	-
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
<b>Total Expenditures</b>	<b>25,540,763</b>	<b>24,771,349</b>	<b>769,414</b>
Excess of Revenues Over (Under) Expenditures	(13,323,510)	1,735,893	15,059,403
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	-	1,275	1,275
Refund of Prior Year Expenditures	-	1,505	1,505
Advances In	-	36,000	36,000
Operating Transfers Out	(86,885)	(86,885)	-
Advances Out	(40,000)	(40,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(126,885)</b>	<b>(88,105)</b>	<b>38,780</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,450,395)	1,647,788	15,098,183
Fund Balances at Beginning of Year	12,548,359	12,548,359	-
Prior Year Encumbrances Appropriated	902,036	902,036	-
<b>Fund Balance at end of Year</b>	<b>\$ -</b>	<b>\$ 15,098,183</b>	<b>\$ 15,098,183</b>

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

**Governmental Fund Types**

<b>Special Revenue</b>			<b>Debt Service</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$ 1,884,119	\$ 1,887,569	\$ 3,450	\$ 82,929	\$ 82,929	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,800	1,800	-	-	-	-
134,517	134,607	90	-	-	-
94,062	104,062	10,000	-	-	-
-	-	-	807,594	807,594	-
768	768	-	-	-	-
<u>2,115,266</u>	<u>2,128,806</u>	<u>13,540</u>	<u>890,523</u>	<u>890,523</u>	<u>-</u>
383,254	363,144	20,110	-	-	-
1,086,505	899,278	187,227	-	-	-
-	-	-	-	-	-
237,139	203,065	34,074	-	-	-
308,878	270,808	38,070	-	-	-
-	-	-	-	-	-
105,144	80,371	24,773	-	-	-
16,186	15,844	342	20,000	18,124	1,876
-	-	-	-	-	-
31,500	31,500	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
235,913	188,369	47,544	-	-	-
160,320	138,523	21,797	-	-	-
-	-	-	-	-	-
-	-	-	800,312	332,913	467,399
-	-	-	907,981	625,924	282,057
<u>2,564,839</u>	<u>2,190,902</u>	<u>373,937</u>	<u>1,728,293</u>	<u>976,961</u>	<u>751,332</u>
<u>(449,573)</u>	<u>(62,096)</u>	<u>387,477</u>	<u>(837,770)</u>	<u>(86,438)</u>	<u>751,332</u>
-	-	-	86,885	86,885	-
-	-	-	-	-	-
-	-	-	-	-	-
39,000	39,000	-	-	-	-
-	-	-	-	-	-
(35,000)	(35,000)	-	-	-	-
<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>86,885</u>	<u>86,885</u>	<u>-</u>
(445,573)	(58,096)	387,477	(750,885)	447	751,332
367,101	367,101	-	750,885	750,885	-
78,472	78,472	-	-	-	-
<u>\$ -</u>	<u>\$ 387,477</u>	<u>\$ 387,477</u>	<u>\$ -</u>	<u>\$ 751,332</u>	<u>\$ 751,332</u>

(Continued)

**MOUNT VERNON CITY SCHOOL DISTRICT  
KNOX COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002  
(Continued)**

	<b>Governmental Fund Types</b>		
	<b>Capital Projects</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 114,389	\$ 114,389	\$ -
Interest	58,447	62,369	3,922
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	2,770	2,770	-
Property & Other Local Taxes	551,293	551,293	-
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>726,899</b>	<b>730,821</b>	<b>3,922</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	275,208	180,241	94,967
Special	4,000	3,035	965
Vocational	-	-	-
Support services:			
Pupils	659	-	659
Instructional Staff	100,296	85,317	14,979
Board of Education	-	-	-
Administration	300	-	300
Fiscal	16,807	13,238	3,569
Business	200	-	200
Operation and Maintenance of Plant	4,000	-	4,000
Pupil Transportation	125,836	108,800	17,036
Central	-	-	-
Non-Instructional Services	15,000	-	15,000
Extracurricular activities	-	-	-
Capital Outlay	2,162,374	901,829	1,260,545
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
<b>Total Expenditures</b>	<b>2,704,680</b>	<b>1,292,460</b>	<b>1,412,220</b>
Excess of Revenues Over (Under) Expenditures	<b>(1,977,781)</b>	<b>(561,639)</b>	<b>1,416,142</b>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-
Refund of Prior Year Expenditures	-	-	-
Advances In	-	-	-
Operating Transfers Out	-	-	-
Advances Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>(1,977,781)</b>	<b>(561,639)</b>	<b>1,416,142</b>
Fund Balances at Beginning of Year	1,633,889	1,633,889	-
Prior Year Encumbrances Appropriated	343,892	343,892	-
<b>Fund Balance at end of Year</b>	<b>\$ -</b>	<b>\$ 1,416,142</b>	<b>\$ 1,416,142</b>

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



Fiduciary Trust Fund			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,697,463	\$ 14,490,293	\$ 11,792,830
-	-	-	58,447	483,037	424,590
-	-	-	-	679,925	679,925
-	-	-	1,800	4,754	2,954
-	-	-	134,517	147,769	13,252
-	-	-	96,832	537,148	440,316
-	-	-	12,960,114	13,377,843	417,729
-	-	-	768	536,623	535,855
-	-	-	15,949,941	30,257,392	14,307,451
-	-	-	13,212,799	13,097,722	115,077
351	-	351	3,161,672	2,973,129	188,543
-	-	-	267,073	267,073	-
-	-	-	1,606,972	1,572,239	34,733
-	-	-	1,851,913	1,798,864	53,049
-	-	-	39,309	39,309	-
39	39	-	1,864,711	1,839,638	25,073
-	-	-	2,060,259	1,362,872	697,387
-	-	-	159,654	159,454	200
-	-	-	2,398,693	2,394,693	4,000
253	-	253	1,230,853	1,135,750	95,103
-	-	-	23,878	23,878	-
-	-	-	250,913	188,369	62,544
243	-	243	540,095	518,055	22,040
-	-	-	2,162,374	901,829	1,260,545
-	-	-	800,312	332,913	467,399
-	-	-	907,981	625,924	282,057
886	39	847	32,539,461	29,231,711	3,307,750
(886)	(39)	847	(16,589,520)	1,025,681	17,615,201
-	-	-	86,885	86,885	-
-	-	-	-	1,275	1,275
-	-	-	-	1,505	1,505
-	-	-	39,000	75,000	36,000
-	-	-	(86,885)	(86,885)	-
-	-	-	(75,000)	(75,000)	-
-	-	-	(36,000)	2,780	38,780
(886)	(39)	847	(16,625,520)	1,028,461	17,653,981
886	886	-	15,301,120	15,301,120	-
-	-	-	1,324,400	1,324,400	-
\$ -	\$ 847	\$ 847	\$ -	\$ 17,653,981	\$ 17,653,981

**MOUNT VERNON CITY SCHOOL DISTRICT  
KNOX COUNTY**

**Combined Statement of Revenues, Expenses  
and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>				
Sales	\$ 677,189	\$ -	\$ -	\$ 677,189
Charges for Services	-	2,804,789	-	2,804,789
Interest	-	-	77	77
Other Revenues	50	3,403	-	3,453
Contributions and Donations	-	-	-	-
Total Operating Revenues	<u>677,239</u>	<u>2,808,192</u>	<u>77</u>	<u>\$3,485,508</u>
<b>Operating Expenses</b>				
Salaries	304,754	10,959	-	315,713
Fringe Benefits	151,624	138,409	-	290,033
Purchased Services	14,272	2,614,053	-	2,628,325
Materials and Supplies	567,693	1,100	-	568,793
Depreciation	46,407	-	-	46,407
Other	-	5,464	200	5,664
Total Operating Expenses	<u>1,084,750</u>	<u>2,769,985</u>	<u>200</u>	<u>3,854,935</u>
Operating Income (Loss)	(407,511)	38,207	(123)	(369,427)
<b>Non-Operating Revenues and Expenses</b>				
Federal Donated Commodities	46,713	-	-	46,713
Interest	8,027	14,726	-	22,753
Federal and State Subsidies	<u>379,585</u>	<u>-</u>	<u>-</u>	<u>379,585</u>
Total Non-Operating Revenues and Expenses	<u>434,325</u>	<u>14,726</u>	<u>-</u>	<u>449,051</u>
Net Income (Loss)	26,814	52,933	(123)	79,624
Retained Earnings/Fund Balances at Beginning of Year	<u>615,158</u>	<u>211,566</u>	<u>3,088</u>	<u>829,812</u>
Retained Earnings/Fund Balances at End of Year	<u>641,972</u>	<u>264,499</u>	<u>2,965</u>	<u>909,436</u>
Contributed Capital at Beginning of Year	<u>13,427</u>	<u>-</u>	<u>-</u>	<u>13,427</u>
Capital Contributions During the Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contributed Capital at End of Year	<u>13,427</u>	<u>-</u>	<u>-</u>	<u>13,427</u>
Total Fund Equity at End of Year	<u>\$ 655,399</u>	<u>\$ 264,499</u>	<u>\$ 2,965</u>	<u>\$ 922,863</u>

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

**MOUNT VERNON CITY SCHOOL DISTRICT  
KNOX COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2002**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Sales	\$ 674,228	\$ -	\$ -	\$ 674,228
Cash Received from Charges for Services	-	2,804,789	-	2,804,789
Other Cash Receipts	50	3,403	-	3,453
Cash Payments to Suppliers for Goods and Service	(514,722)	(1,100)	-	(515,822)
Cash Payments for Contract Services	(14,272)	(2,764,585)	-	(2,778,857)
Cash Payments for Employee Services	(304,597)	(10,959)	-	(315,556)
Cash Payments for Employee Benefits	(150,685)	(138,026)	-	(288,711)
Other Cash Payments	-	(5,464)	(200)	(5,664)
Net Cash (Used) by Operating Activities	<u>(309,998)</u>	<u>(111,942)</u>	<u>(200)</u>	<u>(422,140)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Received	327,957	-	-	327,957
Net Cash Provided by Noncapital Financing Activities	<u>327,957</u>	<u>-</u>	<u>-</u>	<u>327,957</u>
<b>Cash Flows from Investing Activities:</b>				
Interest Received	8,027	14,726	77	22,830
Net Cash Provided by Investing Activities	<u>8,027</u>	<u>14,726</u>	<u>77</u>	<u>22,830</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Payments for Capital Acquisitions	(3,023)	-	-	(3,023)
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,023)</u>	<u>-</u>	<u>-</u>	<u>(3,023)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,963	(97,216)	(123)	(74,376)
Cash and Cash Equivalents at Beginning of Year	422,281	738,902	3,088	1,164,271
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 445,244</u>	<u>\$ 641,686</u>	<u>\$ 2,965</u>	<u>\$ 1,089,895</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (407,511)	\$ 38,207	\$ (123)	\$ (369,427)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	46,407	-	-	46,407
Donated Commodities Used During the Year	46,713	-	-	46,713
Adjustments to Capital Outlay	289	-	-	289
Nonexpendable Trust Interest	-	-	(77)	(77)
(Increase) Decrease in Assets:				
Accounts Receivable	(2,961)	-	-	(2,961)
Material and Supplies Inventory	3,066	-	-	3,066
Increase (Decrease) in Liabilities:				
Accounts Payable	9,784	-	-	9,784
Compensated Absences Payable	(529)	462	-	(67)
Intergovernmental Payable	(67)	(79)	-	(146)
Deferred Revenue	(6,881)	-	-	(6,881)
Claims Payable	-	(150,532)	-	(150,532)
Accrued Wages and Benefits	1,692	-	-	1,692
Total Adjustments	<u>97,513</u>	<u>(150,149)</u>	<u>(77)</u>	<u>(52,713)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (309,998)</u>	<u>\$ (111,942)</u>	<u>\$ (200)</u>	<u>\$ (422,140)</u>
<b>Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:</b>				
Cash and Cash Equivalents — Trust and Agency Funds				\$ 43,329
Less: Expendable Trust Funds				(847)
Less: Agency Funds				<u>(39,517)</u>
Cash and Cash Equivalents — Nonexpendable Trust Funds				<u>\$ 2,965</u>

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

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002

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

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

The School District was established in the 1870s through the consolidation of existing land areas and school districts. The School District serves an area of approximately 138 square miles. It is located in Knox County, and includes all of the City of Mount Vernon, the Village of Gambier and portions of Brown, Clinton, College, Harrison, Howard, Liberty, Miller, Monroe, Morgan, Morris, Pike, and Pleasant Townships. The School District is the 89<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 163 non-certificated employees and 267 certificated full-time teaching personnel who provide services to 4,308 students and other community members. The School District currently operates 9 instructional buildings, one administrative building, and one garage.

*Reporting Entity:*

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

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

The following activities are included within the reporting entity:

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

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

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

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

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

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

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

*Proprietary Fund Types:*

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

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

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

*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

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

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

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

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

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

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

**C. Budgetary Process**

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

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

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

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

*Tax Budget:*

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

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

*Appropriations:*

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

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

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

*Encumbrances:*

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



**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2002, investments were limited to STAR Ohio. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute based upon School District policy.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAR Ohio is not register 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

**E. Inventory**

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

**F. Fixed Assets and Depreciation**

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

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

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

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

**G. Intergovernmental Revenues**

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

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

*Entitlements*

*General Fund*

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

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Auxiliary Non-Public Services
- Disadvantaged Pupil Program
- Professional Development Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- One Net
- School Net Professional Development
- Ohio Reads Grant
- Summer School Subsidy
- Miscellaneous Grants
- Eisenhower Grant
- Title VI-B
- Title I
- Title VI
- Drug-Free Schools
- SACC/Dependent Grant
- Preschool Grant
- FCC E-Rate
- Title VI-R

*Capital Projects Funds*

- School Net Plus
- Power Up

*Reimbursable Grants*

*General Fund*

- Driver Education

*Proprietary Funds*

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

Grants and entitlements amounted to approximately 44 percent of the School District's operating revenue during the 2002 fiscal year.

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

**H. Interfund Assets/Liabilities**

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

**I. Compensated Absences**

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

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

**K. Interfund Transactions**

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

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

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**L. Restricted Assets**

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

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved. The reserve for endowments signifies the legal restrictions on the use of principal.

**N. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2002, the Disadvantaged Pupils Impact Aid fund had a deficit fund balance of \$10,226, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$1,647,788	(\$58,096)	\$447	(\$561,639)	(\$39)
Adjustments for:					
Revenue Accruals	(55,358)	2,025	(4,107)	(2,098)	
Expenditure Accruals	(584,226)	(71,553)		4,922	
Other Sources/Uses	353,510	(4,000)			
Encumbrances	904,179	171,444		573,116	
GAAP Basis	\$2,265,893	\$39,820	(\$3,660)	\$14,301	(\$39)

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal

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agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, *"Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,"* collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

*Deposits:*

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

*Investments:*

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

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*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$379,613 and the bank balance was \$713,919. Of the bank balance, \$200,000 was covered by federal depository insurance and \$513,919 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Carrying Value	Market Value
STAR Ohio	\$20,052,520	\$20,052,520
Totals	\$20,052,520	\$20,052,520

**NOTE 6 - PROPERTY TAXES**

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

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

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

The School District receives property taxes from Knox County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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(Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$4,083,020 in the General Fund, \$285,093 in the Bond Retirement Debt Service Fund and \$150,002 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$345,586,630	72%	\$345,988,960	78%
Public Utility	26,529,640	6%	20,307,430	5%
Tangible Personal Property	105,043,314	22%	77,117,228	17%
Total Assessed Value	<u>\$477,159,584</u>	<u>100%</u>	<u>\$443,413,618</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$36.74		\$36.64	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$13,259,039
Accounts	72,099
Special Revenue Fund	
Accounts	2,025
Intergovernmental	429
Debt Service Fund	
Taxes	896,770
Capital Project Funds	
Taxes	596,884
Enterprise Funds	
Accounts	3,238
Intergovernmental	52,205
Trust and Agency	
Accounts	150
Total Receivables	<u>\$14,882,839</u>



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Notes to the General Purpose Financial Statements  
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(Continued)

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$ 567,660
Less: Accumulated Depreciation	<u>(365,436)</u>
Net Fixed Assets	<u>\$ 202,224</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$ 638,996	\$ 35,575	-	\$ 674,571
Buildings and Improvements	18,083,385	8,887	-	18,092,272
Furniture and Equipment	6,207,538	968,607	\$85,825	7,090,320
Vehicles	1,085,775	-	-	1,085,775
<b>Totals</b>	<u>\$26,015,694</u>	<u>\$1,013,069</u>	<u>\$85,825</u>	<u>\$26,942,938</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District's insurance coverage was as follows:

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

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District pays a monthly premium to Benefit Services, a third party administrator, who in turn pays the claims for the School District. The claims liability of \$376,037 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$376,828	\$2,646,671	\$2,496,930	\$526,569
2002	\$526,569	\$2,614,053	\$2,764,585	\$376,037

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Mount Vernon City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Mount Vernon City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$459,947, \$438,370, \$408,511, respectively; which were equal to the required contributions for each year.

**B. State Teachers Retirement System**

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

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Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002 were **9.3** percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,926,157, \$1,833,937, \$1,703,118, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$313,060 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. (The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.) For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. For the School District, this amount equaled \$606,806 for the fiscal year 2002.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$283,902.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

The number of participants currently receiving health care benefits is approximately 50,000.

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Notes to the General Purpose Financial Statements  
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**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life Insurance**

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

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$349,510. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$38,907 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTDAG
2003	\$85,040
2004	85,040
2005	85,039
2006	85,040
2007	42,520
Total	\$382,679
Less: Amount Representing Interest	(62,189)
Present Value of Net Minimum Lease Payments	\$320,490

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Notes to the General Purpose Financial Statements  
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**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance At 07/01/01	Additions	Deductions	Balance at 06/30/02
General Obligation Bonds	\$9,220,000	\$ -	\$180,000	\$9,040,000
General Obligation Bonds	300,000	-	100,000	200,000
Energy Conservation Loan	603,847	-	52,913	550,934
Long-Term Bonds & Loan	10,123,847	-	332,913	9,790,934
Capital Leases	9,887	\$349,510	38,907	320,490
Pension Obligation	176,950	-	15,476	161,474
Compensated Absences	1,157,749	24,694	-	1,182,443
Total Long-Term Obligations	<u>\$11,468,433</u>	<u>\$374,204</u>	<u>\$387,296</u>	<u>\$11,455,341</u>

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

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

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

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

The School District's voted legal debt margin was \$30,667,226 with an unvoted debt margin of \$443,414 at June 30, 2002.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$350,999	\$608,180	\$959,179
2004	364,266	589,311	953,577
2005	387,722	568,932	956,654
2006	411,381	546,849	958,230
2007	435,253	523,087	958,340
2008-2012	2,416,313	2,168,985	4,585,298
2013-2017	3,070,000	1,206,623	4,276,623
2018-2020	2,355,000	211,916	2,566,916
Total	<u>\$9,790,934</u>	<u>\$6,423,883</u>	<u>\$16,214,817</u>

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Notes to the General Purpose Financial Statements  
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**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Mount Vernon City School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$581,764	\$95,475	\$677,239
Depreciation Expense	46,407	-	46,407
Operating Income (Loss)	(397,464)	(10,047)	(407,511)
Donated Commodities	46,713	-	46,713
Interest	8,027	-	8,027
Grants	379,585	-	379,585
Net Income (Loss)	36,861	(10,047)	26,814
Net Working Capital	366,230	86,945	453,175
Total Assets	632,310	94,600	726,910
Total Liabilities	63,856	7,655	71,511
Total Equity	568,454	86,945	655,399

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

**NOTE 17 - INSURANCE PURCHASING POOL**

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

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

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

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

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is no longer required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. The budget stabilization reserve is no longer required to be funded. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2001	\$ 37,310	\$ -	\$622,258	\$ 659,568
Current Year Set-aside Requirement	494,874	494,874	-	989,748
Transfer of Budget Reserve	-	-	(622,258)	(622,258)
Qualifying Disbursements	(651,062)	(933,568)	-	(1,584,630)
Total	<u>(\$118,878)</u>	<u>(\$438,694)</u>	<u>\$ -</u>	<u>(\$ 557,572)</u>
Cash Balance Carried Forward to FY 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Mount Vernon City School District  
Knox County**

Notes to the General Purpose Financial Statements  
June 30, 2002  
(Continued)

**NOTE 20 – STATE SCHOOL FUNDING DECISION**

On September 6, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

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

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

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



**Mount Vernon City School District  
Knox County**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. Department of Agriculture</u></b>						
Passed through Ohio Department of Education						
<b>Nutrition Cluster:</b>						
Food Distribution		10.550	\$ -	\$ 46,713	\$ -	\$ 47,335
National School Breakfast Program	05-PU-02 05-PU-01	10.553	44,064	-	44,064	-
National School Lunch Program	LL-P1-02 LL-P1-01 LL-P4-01 LL-P4-02	10.555	253,814	-	253,814	-
Special Milk Program	02-PU-01 02-PU-02	10.556	4,064	-	4,064	-
Child Care Food Program	23-PU-01 24-PU-01	10.559	3,421	-	3,421	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>305,363</u>	<u>46,713</u>	<u>305,363</u>	<u>47,335</u>
<b><u>U.S. Department of Education</u></b>						
Passed through Ohio Department of Education						
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA Part B)	6B-SF-02	84.027	427,077	-	377,749	-
Special Education - Preschool Grant	PG-S1-02	84.173	23,436	-	28,641	-
Total Special Education Cluster			<u>450,513</u>	<u>-</u>	<u>406,390</u>	<u>-</u>
Partnership Grant	G2-S9-01	84.276	17,029	-	9,566	-
Eisenhower Professional Development	MS-S1-02	84.281	27,831	-	15,284	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01 C2-S1-02 C1-SD-01	84.010	750,142	-	800,844	-
Innovative Educational Program Strategies (Title VI)	C2-S1-02	84.298	26,282	-	12,409	-
Drug-Free Schools Grant	DR-S1-02	84.186	17,302	-	35,452	-
Title VIR - Class Size Reduction	CR-S1-02	84.340	161,267	-	147,112	-
Total U.S. Department of Education			<u>1,450,366</u>	<u>-</u>	<u>1,427,057</u>	<u>-</u>
Totals			<u>\$ 1,755,729</u>	<u>\$ 46,713</u>	<u>\$ 1,732,420</u>	<u>\$ 47,335</u>

The accompanying notes are an integral part of this schedule.

**Mount Vernon City School District  
Knox County**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**YEAR ENDED JUNE 30, 2002**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

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

**FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



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

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

We have audited the general-purpose financial statements of Mount Vernon City School District, Knox County, Ohio (the District) as of and for the year ended June 30, 2002 and have issued our report thereon dated December 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Compliance**

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

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2002.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

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

*Wilson, Shanna & Son, Inc.*

Newark, Ohio  
December 4, 2002



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

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

**Compliance**

We have audited the compliance of Mount Vernon City School District, Knox County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

*Wilson, Shannon & Snow, Inc.*  
CERTIFIED PUBLIC ACCOUNTANTS  
Ten West Locust Street  
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(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

### Internal Control Over Compliance

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

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

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 4, 2002

**Mount Vernon City School District  
Knox County**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505

June 30, 2002

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I\84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None were noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None were noted





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
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**MOUNT VERNON CITY SCHOOL DISTRICT**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**