

Minford Local School District

Scioto County

Single Audit

July 1 , 2001 Through June 30, 2002

Fiscal Year Audited Under GAGAS: 2002

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of the Board
Minford Local School District
P.O. Box 204
Minford, Ohio 45635

We have reviewed the Independent Auditor's Report of the Minford Local School District, Scioto County, prepared by Balestra & Company, for the audit period July 1, 2001 to 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 Minford Local 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

November 1, 2002

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Minford Local School District
Scioto County

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Minford Local School District
P.O. Box 204
Minford, Ohio 45653

We have audited the accompanying general purpose financial statements of the Minford Local School District (the District), Scioto County, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 cash flows of its proprietary fund type 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 September 13, 2002, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the 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.

Balestra & Company
Balestra & Company

September 13, 2002

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General-Purpose Financial Statements

The general-purpose financial statements of the District include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows of the proprietary fund type.

MINFORD LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types And Account Groups
 June 30, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,685,195	\$375,090	\$271,223	\$6,687,105
Receivables:				
Taxes	1,333,687	27,041	205,949	0
Accounts	1,616	0	0	0
Intergovernmental	0	123,116	0	3,145,193
Interfund	36,627	0	0	0
Prepaid Items	3,246	0	0	0
Materials and Supplies Inventory	51,608	0	0	0
Inventory Held for Resale	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
 Total Assets and Other Debits	 \$3,111,979	 \$525,247	 \$477,172	 \$9,832,298

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$4,956	\$24,905	\$0	\$0	\$9,048,474
0	0	0	0	1,566,677
0	0	0	0	1,616
0	0	0	0	3,268,309
0	0	0	0	36,627
0	0	0	0	3,246
2,647	0	0	0	54,255
8,695	0	0	0	8,695
156,961	0	34,942,239	0	35,099,200
0	0	0	321,223	321,223
0	0	0	2,553,891	2,553,891
<u>\$173,259</u>	<u>\$24,905</u>	<u>\$34,942,239</u>	<u>\$2,875,114</u>	<u>\$51,962,213</u>

(Continued)

MINFORD LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types And Account Groups
 June 30, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<u>Liabilities:</u>				
Accrued Wages and Benefits Payable	\$610,840	\$128,308	\$0	\$0
Intergovernmental Payable	144,678	20,278	0	0
Interfund Payable	0	27,725	0	8,902
Undistributed Monies	0	0	0	0
Deferred Revenue	1,154,342	62,529	155,949	3,145,193
Compensated Absences Payable	5,047	0	0	0
Contracts Payable	0	0	0	905,731
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>1,914,907</u>	<u>238,840</u>	<u>155,949</u>	<u>4,059,826</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	271,898	39,361	0	3,776,512
Reserved for Inventory	51,608	0	0	0
Reserved for Property Taxes	179,345	3,916	50,000	0
Unreserved	694,221	243,130	271,223	1,995,960
Total Fund Equity (Deficit) and Other Credits	<u>1,197,072</u>	<u>286,407</u>	<u>321,223</u>	<u>5,772,472</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,111,979</u>	<u>\$525,247</u>	<u>\$477,172</u>	<u>\$9,832,298</u>

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$34,223	\$0	\$0	\$0	\$773,371
14,466	0	0	62,707	242,129
0	0	0	0	36,627
0	24,905	0	0	24,905
5,484	0	0	0	4,523,497
24,577	0	0	820,807	850,431
0	0	0	0	905,731
0	0	0	1,600	1,600
0	0	0	1,990,000	1,990,000
<u>78,750</u>	<u>24,905</u>	<u>0</u>	<u>2,875,114</u>	<u>9,348,291</u>
0	0	34,942,239	0	34,942,239
93,380	0	0	0	93,380
1,129	0	0	0	1,129
0	0	0	0	4,087,771
0	0	0	0	51,608
0	0	0	0	233,261
0	0	0	0	3,204,534
<u>94,509</u>	<u>0</u>	<u>34,942,239</u>	<u>0</u>	<u>42,613,922</u>
<u>\$173,259</u>	<u>\$24,905</u>	<u>\$34,942,239</u>	<u>\$2,875,114</u>	<u>\$51,962,213</u>

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MINFORD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property Taxes	\$1,234,010	\$27,563	\$227,185	\$0	\$1,488,758
Intergovernmental	7,919,184	1,275,850	28,908	11,819,568	21,043,510
Interest	56,794	0	0	114,790	171,584
Tuition and Fees	495,121	0	0	0	495,121
Rent	1	0	0	0	1
Extracurricular Activities	125,656	0	0	0	125,656
Gifts and Donations	11,767	3,651	0	0	15,418
Customer Services	403	0	0	0	403
Miscellaneous	2,187	0	0	0	2,187
<i>Total Revenues</i>	<u>9,845,123</u>	<u>1,307,064</u>	<u>256,093</u>	<u>11,934,358</u>	<u>23,342,638</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	4,053,459	613,491	0	33,948	4,700,898
Special	518,047	449,723	0	0	967,770
Vocational	250,255	0	0	0	250,255
Other	140,867	0	0	0	140,867
Support Services:					
Pupils	299,347	58,754	0	0	358,101
Instructional Staff	504,187	122,444	0	0	626,631
Board of Education	49,982	0	0	0	49,982
Administration	1,175,850	0	0	0	1,175,850
Fiscal	253,261	4,183	4,966	0	262,410
Operation and Maintenance of Plant	929,473	5,103	0	0	934,576
Pupil Transportation	754,784	3,523	0	0	758,307
Central	4,302	0	0	0	4,302
Operation of Non-Instructional Services					
Extracurricular Activities	1,658	0	0	0	1,658
Capital Outlay	284,512	0	0	0	284,512
Debt Service:	0	0	0	12,353,993	12,353,993
Principal Retirement	0	0	66,000	0	66,000
Interest and Fiscal Charges	0	0	100,784	0	100,784
<i>Total Expenditures</i>	<u>9,219,984</u>	<u>1,257,221</u>	<u>171,750</u>	<u>12,387,941</u>	<u>23,036,896</u>
Excess of Revenues Over/(Under) Expenditures	<u>625,139</u>	<u>49,843</u>	<u>84,343</u>	<u>(453,583)</u>	<u>305,742</u>
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	0	45,572	1,000	0	46,572
Operating Transfers Out	(81,007)	0	0	0	(81,007)
<i>Total Other Financing Sources (Uses)</i>	<u>(81,007)</u>	<u>45,572</u>	<u>1,000</u>	<u>0</u>	<u>(34,435)</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	544,132	95,415	85,343	(453,583)	271,307
Fund Balances at Beginning of Year (Restated Note 3)	668,568	190,992	235,880	6,226,055	7,321,495
Increase (Decrease) in Reserve for Inventory	(15,628)	0	0	0	(15,628)
Fund Balances at End of Year	<u>\$1,197,072</u>	<u>\$286,407</u>	<u>\$321,223</u>	<u>\$5,772,472</u>	<u>\$7,577,174</u>

See accompanying notes to the general purpose financial statements

MINFORD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,140,226	\$1,140,226	\$0	\$25,269	\$25,722	\$453
Intergovernmental	7,919,184	7,919,184	0	1,212,873	1,196,306	(16,567)
Interest	56,794	56,794	0	0	0	0
Tuition and Fees	508,343	495,121	(13,222)	0	0	0
Rent	2	1	(1)	0	0	0
Extracurricular Activities	136,253	125,656	(10,597)	0	0	0
Gifts and Donations	20,700	11,767	(8,933)	3,650	3,650	0
Customer Services	1,500	403	(1,097)	0	0	0
Miscellaneous	2,517	2,614	97	0	0	0
Total Revenues	9,785,519	9,751,766	(33,753)	1,241,792	1,225,678	(16,114)
Expenditures:						
Current:						
Instruction:						
Regular	4,856,245	4,249,268	606,977	718,142	597,728	120,414
Special	531,674	506,982	24,692	526,902	455,195	71,707
Vocational	255,276	249,242	6,034	0	0	0
Other	120,200	150,416	(30,216)	0	0	0
Support Services:						
Pupils	317,502	302,176	15,326	83,234	80,343	2,891
Instructional Staff	598,529	531,591	66,938	161,791	133,476	28,315
Board of Education	158,045	55,552	102,493	0	0	0
Administration	1,197,662	1,150,422	47,240	0	0	0
Fiscal	270,433	244,779	25,654	4,962	4,184	778
Operation and Maintenance of Plant	1,177,779	1,020,031	157,748	122,700	6,802	115,898
Pupil Transportation	886,387	766,479	119,908	4,099	3,239	860
Central	3,916	5,141	(1,225)	0	0	0
Operation of Non-Instructional						
Services	1,654	1,654	0	0	0	0
Extracurricular Activities	425,255	300,053	125,202	0	0	0
Capital Outlay	163,257	0	163,257	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,963,814	9,533,786	1,430,028	1,621,830	1,280,967	340,863
Excess of Revenues Over (Under) Expenditures	(1,178,295)	217,980	(1,396,275)	(380,038)	(55,289)	324,749
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	3,645	3,645	0	5,144	5,144	0
Advances In	17,788	17,788	0	27,663	27,663	0
Advances Out	(27,749)	(27,663)	86	(19,330)	(17,788)	1,542
Operating Transfers In	0	0	0	57,168	45,572	(11,596)
Operating Transfers Out	(81,025)	(81,007)	18	0	0	0
Total Other Financing Sources (Uses)	(87,341)	(87,237)	104	70,645	60,591	(10,054)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,265,636)	130,743	1,396,379	(309,393)	5,302	314,695
Fund Balances at Beginning of Year	888,041	888,041	0	324,813	324,813	0
Prior Year Encumbrances Appropriated	394,512	394,512	0	5,615	5,615	0
Fund Balances/(Deficits) at End of Year	\$16,917	\$1,413,296	\$1,396,379	\$21,035	\$335,730	\$314,695

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$191,708	\$191,708	\$0	\$0	\$0	\$0	\$1,357,203	\$1,357,656	\$453
28,908	28,908	0	11,827,148	11,819,446	(7,702)	20,988,113	20,963,844	(24,269)
0	0	0	336,080	114,790	(221,290)	392,874	171,584	(221,290)
0	0	0	0	0	0	508,343	495,121	(13,222)
0	0	0	0	0	0	2	1	(1)
0	0	0	0	0	0	136,253	125,656	(10,597)
0	0	0	0	0	0	24,350	15,417	(8,933)
0	0	0	0	0	0	1,500	403	(1,097)
0	0	0	0	0	0	2,517	2,614	97
<u>220,616</u>	<u>220,616</u>	<u>0</u>	<u>12,163,228</u>	<u>11,934,236</u>	<u>(228,992)</u>	<u>23,411,155</u>	<u>23,132,296</u>	<u>(278,859)</u>
0	0	0	128,414	84,108	44,306	5,702,801	4,931,104	771,697
0	0	0	0	0	0	1,058,576	962,177	96,399
0	0	0	0	0	0	255,276	249,242	6,034
0	0	0	0	0	0	120,200	150,416	(30,216)
0	0	0	0	0	0	400,736	382,519	18,217
0	0	0	0	41,580	(41,580)	760,320	706,647	53,673
0	0	0	0	0	0	158,045	55,552	102,493
0	0	0	0	0	0	1,197,662	1,150,422	47,240
5,250	4,966	284	5,652	0	5,652	286,297	253,929	32,368
0	0	0	8,902	0	8,902	1,309,381	1,026,833	282,548
0	0	0	0	0	0	890,486	769,718	120,768
0	0	0	0	0	0	3,916	5,141	(1,225)
0	0	0	0	0	0	1,654	1,654	0
0	0	0	0	0	0	425,255	300,053	125,202
0	0	0	6,693,844	15,133,034	(8,439,190)	6,857,101	15,133,034	(8,275,933)
101,000	66,000	35,000	0	0	0	101,000	66,000	35,000
326,181	100,784	225,397	0	0	0	326,181	100,784	225,397
<u>432,431</u>	<u>171,750</u>	<u>260,681</u>	<u>6,836,812</u>	<u>15,258,722</u>	<u>(8,421,910)</u>	<u>19,854,887</u>	<u>26,245,225</u>	<u>(6,390,338)</u>
<u>(211,815)</u>	<u>48,866</u>	<u>260,681</u>	<u>5,326,416</u>	<u>(3,324,486)</u>	<u>(8,650,902)</u>	<u>3,556,268</u>	<u>(3,112,929)</u>	<u>6,669,197</u>
0	0	0	122	122	0	8,911	8,911	0
0	0	0	0	0	0	45,451	45,451	0
0	0	0	0	0	0	(47,079)	(45,451)	1,628
1,000	1,000	0	0	0	0	58,168	46,572	(11,596)
0	0	0	0	0	0	(81,025)	(81,007)	18
<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>122</u>	<u>122</u>	<u>0</u>	<u>(15,574)</u>	<u>(25,524)</u>	<u>(9,950)</u>
(210,815)	49,866	(260,681)	5,326,538	(3,324,364)	(8,650,902)	3,540,694	(3,138,453)	(7,200,509)
221,357	221,357	0	1,235,852	1,235,852	0	2,670,063	2,670,063	0
0	0	0	4,999,105	4,999,105	0	5,399,232	5,399,232	0
<u>\$10,542</u>	<u>\$271,223</u>	<u>\$260,681</u>	<u>\$11,561,495</u>	<u>\$2,910,593</u>	<u>(\$8,650,902)</u>	<u>\$11,609,989</u>	<u>\$4,930,842</u>	<u>(\$6,679,147)</u>

MINFORD LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses

and Changes in Fund Equity

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2002

<u>Operating Revenues:</u>	<u>Enterprise</u>
Sales	\$257,358
Other Revenues	<u>4</u>
Total Operating Revenues	<u>257,362</u>
<u>Operating Expenses:</u>	
Salaries	204,396
Fringe Benefits	107,088
Purchased Services	23,952
Materials and Supplies	23,578
Cost of Sales	193,327
Depreciation	378
Other	<u>482</u>
Total Operating Expenses	<u>553,201</u>
Operating Loss	<u>(295,839)</u>
<u>Non-Operating Revenues(Expenses):</u>	
Federal Donated Commodities	41,902
Federal and State Subsidies	215,043
Interest	<u>3,000</u>
Total Non-Operating Revenues	<u>259,945</u>
Loss Before Operating Transfers	(35,894)
Operating Transfers In	<u>34,435</u>
Net Loss	(1,459)
Retained Earnings (Deficit) at Beginning of Year (Restated Note 3)	<u>2,588</u>
Retained Earnings (Deficit) at End of Year	1,129
Contributed Capital at Beginning of Year	93,380
Contributed Capital at End of Year	<u>93,380</u>
Total Fund Equity at End of Year	<u><u>\$94,509</u></u>

See accompanying notes to the general purpose financial statements

MINFORD LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes
in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$265,558	\$257,358	(\$8,200)
Interest	3,000	3,000	0
Refund of Prior Year Expense	2,800	5	(2,795)
Federal and State Subsidies	212,106	215,043	2,937
<i>Total Revenues</i>	<u>483,464</u>	<u>475,406</u>	<u>(8,058)</u>
<u>Expenses:</u>			
Salaries	193,014	198,092	(5,078)
Fringe Benefits	105,981	106,133	(152)
Purchased Services	24,876	25,101	(225)
Materials and Supplies	192,686	177,028	15,658
Capital Outlay	879	0	879
Other	551	484	67
<i>Total Expenses</i>	<u>517,987</u>	<u>506,838</u>	<u>11,149</u>
Excess of Revenues Over (Under) Expenses	(34,523)	(31,432)	3,091
Operating Transfers In	<u>37,919</u>	<u>34,435</u>	<u>(3,484)</u>
Excess of Revenues Over (Under) Expenses and Transfers	3,396	3,003	(393)
Fund Equity at Beginning of Year	(1,350)	(1,350)	0
Prior Year Encumbrances Appropriated	<u>1,354</u>	<u>1,354</u>	<u>0</u>
Fund Equity (Deficit) at End of Year	<u><u>\$3,400</u></u>	<u><u>\$3,007</u></u>	<u><u>(\$393)</u></u>

See accompanying notes to the general purpose financial statements

MINFORD LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<i><u>Cash Flows from Operating Activities:</u></i>	
Cash Received from Customers	\$257,358
Cash Received from Other Operating Sources	5
Cash Payments to Suppliers for Goods and Services	(200,664)
Cash Payments to Employees for Services	(198,092)
Cash Payments for Employee Benefits	(106,133)
Net Cash Used for Operating Activities	<u>(247,526)</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>	
Operating Grants Received	215,043
Operating Transfers	<u>34,435</u>
Net Cash Provided by Noncapital Financing Activities	<u>249,478</u>
<i><u>Cash Flows from Investing Activities:</u></i>	
Interest	<u>3,000</u>
Net Cash Provided by Investing Activities	3,000
Net Increase in Cash and Cash Equivalents	4,952
Cash and Cash Equivalents at Beginning of Year	<u>4</u>
Cash and Cash Equivalents at End of Year	<u><u>\$4,956</u></u>
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</i>	
Operating Loss	<u>(\$295,839)</u>
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i>	
Depreciation	378
Donated Commodities Used During Year	41,902
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(355)
Increase in Materials and Supplies Inventory	(870)
Increase in Accrued Wages and Benefits	2,051
Increase in Compensated Absences Payable	4,253
Increase in Intergovernmental Payable	<u>954</u>
Total Adjustments	<u>48,313</u>
Net Cash Used for Operating Activities	<u><u>(\$247,526)</u></u>

See accompanying notes to the general purpose financial statements

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Minford Local 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 1924 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 98 square miles. It is located in Scioto County, and includes the Village of Minford and the Townships of Madison and Harrison. It is staffed by 50 non-certificated employees, 105 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,627 students and other community members. The School District currently operates 3 instructional buildings.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Minford Local 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 has no component units.

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- * Pilasco - Ross
- * Boosters Clubs
- * Parent - Teacher Organizations

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Scioto County Joint Vocational School, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Scioto County Regional Council of Governments. These organizations are presented in Notes 16, 17, and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Minford Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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 trust 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 Fund - The capital projects fund is 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).

Proprietary Fund Type:

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

Enterprise Fund - The enterprise fund is 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.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting (continued)

Fiduciary Fund Type:

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 only fiduciary fund is an agency fund. 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 fund.

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 fund.

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 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 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 contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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

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

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported 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. Revenues are recognized in the accounting period 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 in 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 legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 Scioto 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.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

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 is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations 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, one supplemental appropriation was legally enacted.

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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the proprietary fund.

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. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$56,794. The Capital Projects Funds and the Enterprise Fund received interest of \$114,790 and \$3,000, respectively.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

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

E. Inventory

Inventories of governmental funds are stated at cost while 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. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. 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 possess 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.

H. Capitalized Interest

The District does not capitalize interest for fixed assets acquired from governmental funds. There have been no debt-financed proprietary fund fixed asset acquisitions.

I. Interfund Assets/Liabilities

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

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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.

K. 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. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Long-term loans and general obligation bonds are reported as a liability of the general long-term obligations account group until due. Long-term obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

L. Interfund Transactions

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

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

M. Contributed Capital

All contributed capital represents resources from other funds provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Estimates

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

P. 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 or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - PRIOR YEAR RESTATEMENT

Restatement of Fund Balances In the prior year, fixed assets were misstated in the Enterprise Fund and the General Fixed Asset Account Group. Accounting errors were noted in the General Fund and the Special Revenue Funds. This had the following effect on fund balance, retained earnings and general fixed assets as they were previously reported as of June 30, 2001.

	General Fund	Special Revenue Fund	General Fixed Assets	Enterprise Fund
Fund Balance/Retained Earnings at June 30, 2001	\$670,110	\$190,201	\$23,029,034	\$15,838
Restatement Amount	(1,542)	791	10,171	(13,250)
Adjusted Fund Balance/Retained Earnings at July 1, 2001	\$668,568	\$190,992	\$23,039,205	2,588

NOTE 4 - ACCOUNTABILITY

At June 30, 2002, the Educational Management Information System, Drug Free, and Learn and Serve/Goals 2000 Special Revenue Funds, and the Emergency School Building Repair Capital Project Fund, had deficit fund balances of \$5,299, \$68, \$2,042 and \$8,902, respectively. Deficits were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$544,132	\$95,415	\$85,343	(\$453,583)
Revenue Accruals	(71,924)	(48,579)	(35,477)	0
Expenditure Accruals	(69,567)	(2,173)	0	905,731
Encumbrances	(271,898)	(39,361)	0	(3,776,512)
Budget Basis	\$130,743	\$5,302	\$49,866	(\$3,324,364)

Net Loss/Excess of Revenues Under
Expenses and Transfers
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$1,459)
Revenue Accruals	(41,901)
Expense Accruals	48,612
Encumbrances	(2,249)
Budget Basis	\$3,003

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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 agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$(188,178) and the bank balance was \$100,138. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$138 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized 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 are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category Three	Carrying Value	Market Value
Repurchase Agreement	\$751,474	\$751,474	\$751,474
STAR Ohio	0	8,485,178	8,485,178
Totals	\$751,474	\$9,236,652	\$9,236,652

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$9,048,474	\$0
Repurchase Agreement	(751,474)	751,474
STAR Ohio	(8,485,178)	8,485,178
<i>GASB Statement No. 3</i>	\$(188,178)	\$9,236,652

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - PROPERTY TAXES (continued)

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	\$48,952,260	86.14%	\$56,140,590	89.54%
Public Utility	6,848,440	12.06%	5,794,280	9.24%
Tangible Personal Property	1,027,970	1.80%	767,040	1.22%
Total Assessed Value	<u>\$56,828,670</u>	<u>100.00%</u>	<u>\$62,701,910</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.78		\$34.58	

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 \$179,345 in the General Fund, \$3,916 in the Classroom Facilities Maintenance Special Revenue Fund, and \$30,686 in the Debt Service Fund.

NOTE 8 - FIXED ASSETS

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

Furniture and Equipment	\$201,526
Less Accumulated Depreciation	<u>(44,565)</u>
Net Fixed Assets	<u>\$156,961</u>

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

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$426,201	\$0	\$0	\$426,201
Buildings and Improvements	2,294,815	13,310,839	0	15,605,654
Furniture, Fixtures and Equipment	4,657,302	640,551	185,779	5,112,074
Vehicles	1,083,607	0	0	1,083,607
Books	991,562	0	0	991,562
Construction in Progress	<u>13,585,718</u>	<u>11,448,262</u>	<u>13,310,839</u>	<u>11,723,141</u>
Totals	<u>\$23,039,205</u>	<u>\$25,399,652</u>	<u>\$13,496,618</u>	<u>\$34,942,239</u>

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	100% of value
Property In Open (\$100 deductible)	\$748,700
Inland Marine Coverage (\$100 deductible)	295,957
Boiler and Machinery (\$0 - 12 hours)	100,000
Consequential Damage (\$1,000)	25,000
Crime Insurance	15,000
Data Processing (\$100 deductible)	6,359,218
Mechanical, Electrical and Pressure equipment(\$1,000 deductible)	7,161,000
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists	500,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Supplemental Payment	25,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool (Note 18), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$44,357, \$49,159, and \$83,590, respectively; 19 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$55,943 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, 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 \$481,274, \$478,196, and \$280,574, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$81,613 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, and after, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$225,982 for fiscal year 2002.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 million. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$122,791.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through General America.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
School Facilities Construction and Improvement Bonds 1998 5.09%	\$2,055,000	\$0	\$65,000	\$1,990,000
EPA Asbestos Loan 1991 0%	2,600	0	1,000	1,600
Total Long-Term Bonds/Loans	2,057,600	0	66,000	1,991,600
Pension Obligation	58,628	62,707	58,628	62,707
Compensated Absences	764,798	56,009	0	820,807
Total General Long-Term Obligations	<u>\$2,881,026</u>	<u>\$118,716</u>	<u>\$124,628</u>	<u>\$2,875,114</u>

School Facilities Construction and Improvement Bonds - On July 16, 1998, Minford Local School District issued bonds in the amount of \$2,195,000 as a result of the School District being approved for a \$33,485,311 school facilities loan through the State Department of Education for the construction of a new high school, middle school, and for additions and renovations to the current primary school. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.15 mill levy. The 4.15 mill levy, of which, .5 mill was to be used for the retirement of the loan, with the balance of 3.65 mills to be used for the retirement of the 1998 bond issue, will be in effect for the twenty-three years. The bonds were issued for a 23 year period with final maturity during fiscal year 2021. The bonds will be retired from the debt service fund.

Minford Local School District has been notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$33,485,311 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 600 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. As of June 30, 2002, the School District had received a total of \$30,340,118 under this program.

EPA Asbestos Loan - On April 19, 1991, Minford Local School District obtained a loan in the amount of \$11,100 for the purpose of providing asbestos removal for the Minford Local School District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a thirteen fiscal year period with final maturity during fiscal year 2004. The loan will be retired from the debt service fund.

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

The School District's overall legal debt margin was \$3,646,572 with an unvoted debt margin of \$62,702 at June 30, 2002.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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

Fiscal year Ending June 30,	Principal	Interest	Total
2003	66,000	98,070	164,070
2004	70,600	95,218	165,818
2005	75,000	92,118	167,118
2006	75,000	88,855	163,855
2007-2011	430,000	389,318	819,318
2012-2016	555,000	260,340	815,340
2017-2021	720,000	93,749	813,749
Total	<u>\$1,991,600</u>	<u>\$1,117,668</u>	<u>\$3,109,268</u>

NOTE 14 - INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables	Payables
<i>General Fund</i>	\$36,627	\$0
<i>Special Revenue Funds</i>		
Drug Free	0	63
Title I	0	27,662
Total Special Revenue Funds	<u>0</u>	<u>27,725</u>
<i>Capital Projects Fund</i>		
Emergency School Building Repair	0	8,902
Total All Funds	<u>\$36,627</u>	<u>\$36,627</u>

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments for the completion of school improvements and construction as follows:

Vendor	Contract Amount	Amount Expended	Balance at 6/30/2002
Brush Electric Contractors	\$1,586,854	\$905,311	\$681,543
C & T Design	290,700	0	290,700
Franklin Fire Sprinkler Company	280,631	169,886	110,745
J & H Reinforcing	6,517,921	6,397,447	120,474
Knight Electric	509,900	148,218	361,682
Mech Construct	3,299,410	2,563,263	736,147
Milford Construction	11,250	10,500	750
Monarch Construction	9,776,727	6,932,326	2,844,401
Peck, Shaffer and Williams	19,500	17,569	1,931
School Speciality	107,514	106,015	1,499
Simplex Time Rec.	279,799	270,088	9,711
Tanner Stone & Co.	1,942,246	1,195,838	746,408
Tom Cannon.	134,946	114,391	20,555
Total	<u>\$24,757,398</u>	<u>\$18,830,852</u>	<u>\$5,926,546</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Lawrence, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$450 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Scioto County Joint Vocational School - The Scioto County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the City and County Boards within Scioto County, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Joint Vocational School, Lily Blevins, who serves as Treasurer, at P.O. Box 766, Lucasville, Ohio 45648.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$320 to the Coalition for services provided during the year.

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

NOTE 18 - PUBLIC ENTITY SHARED RISK POOL

Scioto County Regional Council of Governments - The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Regional Council of Governments. The overall objectives of the council are to formulate and administer a program of health insurance for the benefit of the council members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at Fourth and Court Streets, Portsmouth, Ohio 45662.

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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2001	\$0	\$0	\$0
Current year set-aside requirement	199,872	199,872	399,744
Current year offsets & Pr. Yr. Carry Over	(184,828)	(13,889,017)	(14,073,845)
Qualifying disbursements	(284,865)	(11,385,776)	(11,670,641)
Set-aside Balance Carried Forward to Future Years	<u>(\$269,821)</u>	<u>(\$25,074,921)</u>	<u>(\$25,344,742)</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The School District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves. These extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

NOTE 20 - SCHOOL FUNDING COURT DECISION

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

- , A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- , Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

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.

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 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 22 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), 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 intergovernmental receivables follows:

	Amount
<u>Special Revenue Funds:</u>	
Title VI-R	\$ 5,453
Title VI-B	1,440
Title VI	6,117
Title I	97,358
Title II	1,248
Continuous Improvement	11,500
Total Special Revenue	123,116
<u>Capital Project Fund:</u>	
Classroom Facilities	3,145,193
Total All Funds	\$ 3,268,309

NOTE 23 - COMPLIANCE

The following fund had expenditures in excess of appropriations for the fiscal year ended June 30, 2002:

Capital Projects Fund Type	Excess
Classroom Facilities	\$8,615,177
Emergency School Building Repair	50,000

Minford Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 23 - COMPLIANCE (continued)

The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2002:

<u>Special Revenue Fund Type</u>	<u>Excess</u>
EMIS	\$ 480
Summer School Intervention	10,822
Department Human Services	1,942
Title VI-B	246
Chapter I/Title I	69,695
Learn & Serve Goals	691
 <u>Capital Projects Fund Type</u>	
Permanent Improvements	2,407
School Net	6,000

MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY, OHIO

Schedule of Federal Awards Expenditures
June 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster: Food Distribution Program	NA	10.550		\$41,657		\$42,047
School Breakfast Program	049627-05PU	10.553	\$36,088		\$36,088	
National School Lunch Program	049627-LLP4	10.555	166,065		166,065	
Total U.S. Department of Agriculture - Child Nutrition Cluster			202,153	41,657	202,153	42,047
U.S. DEPARTMENT OF LABOR						
<i>Passed through the Scioto County JVS</i>						
School To Work	N	17.249	0		574	
Total U.S. Department of Labor			0		574	
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Special Education Grants to the States	049627-C1S1	84.010	409,584		419,265	
Special Education Grants to the States (IDEA Part B)	049627-6BSF	84.027	110,567		87,743	
Eisenhower Mathematics and Science Education	049627-MSS1	84.281	11,228		9,992	
Safe and Drug Free Schools	049627-DRS1	84.186	6,538		6,538	
Christa McAuliffe Fellowship	049627-CJSI	84.215	11,000		10,163	
Goals 2000 Subsidy	049627-G2SP	84.276	1,500		15,772	
Innovative Educational Program Strategy and Consolidation Act	049627-C2S1	84.298	2,499		60	
Class Size Reduction	04627-CRS1	84.340	70,339		74,353	
Assistive Technology Infusion Project	049627-ATSI	84.352A	10,739		10,509	
Total U.S. Department of Education			633,994		634,395	
Total Federal Assistance:			<u>\$836,147</u>	<u>\$41,657</u>	<u>\$837,122</u>	<u>\$42,047</u>

NA = Not Applicable

N = The federal entity pass through number could not be located by the school district.

See Notes to the Schedule of Federal Award Expenditures

Minford Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

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BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board
Minford Local School District
P.O. Box 204
Minford, Ohio 45653

We have audited the financial statements of Minford Local School District (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated September 13, 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*. These reportable citations are described in the accompanying schedule of findings as items 2002-01 and 2002-02. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the District in a separate letter dated September 13, 2002.

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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the 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.

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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.

Balestra & Company
Balestra & Company

September 13, 2002

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
Minford Local School District
P.O. Box 204
Minford, Ohio 45653

Compliance

We have audited the compliance of Minford Local School District (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 its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of 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 program for the year ended June 30, 2002. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated September 13, 2002.

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 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.

Members of the Board

Minford Local School District

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

Page 2

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, regulation, 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 solely for the information and use of the audit committee, management, members of the Board, 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.

Balestra & Company

Balestra & Company

September 13, 2002

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

MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 Special Education Grants to the States
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2002

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

2002-01	<p>Reportable Citation:</p> <p>Ohio Revised Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated. Expenditures exceeded appropriations by \$8,615,177 in the Classroom Facilities Capital Project Fund. Expenditures also exceeded appropriations by \$50,000 in the Emergency School Building Repair Capital Project Fund.</p>
2002-02	<p>Reportable Citation:</p> <p>Ohio Revised Code Section 5705.39 requires the total appropriation from each fund should not exceed the total estimated revenue. The District's appropriations exceeded the total estimated revenue by \$69,695 in the Title I Special Revenue Fund.</p>

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2002

Corrective Action Plan

Finding Number:	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2002-01	The Treasurer and Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Eleanor Karshner, Treasurer
2002-02	The Treasurer and Board will monitor budgetary activity more closely during the next fiscal year.	12/31/02	Eleanor Karshner, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MINFORD LOCAL SCHOOL DISTRICT

SCIOTO 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
NOVEMBER 14, 2002**