

Minford Local School District

Scioto County, Ohio

Single Audit

July 1, 2004 Through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER, CPAs, Inc.

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**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Minford Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 30, 2006

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Minford Local School District
Scioto County, Ohio

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Independent Auditor's Report

Members of the Board
Minford Local School District
PO Box 204
Minford, OH 45653

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minford Local School District (the District), Scioto County, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the general fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board
Minford Local School District
Independent Auditor's Report
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards receipts and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *"Deposits and Investments Risk Disclosure"*, GASB Statement No. 41, *"Budgetary Comparison Schedules – Prospective Differences"*, and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*.



Balestra, Harr & Scherer, CPAs, Inc.
February 23, 2006

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of the Minford Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$1,165,535.
- General revenues accounted for \$9,656,970 in revenue or 69% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$4,362,913 or 31% of total revenues of \$14,019,883.
- The School District had \$15,185,418 in expenses related to governmental activities; only \$4,362,913 of these expenses were offset by program specific charges for services, grants, and contributions.
- The School District has two major funds; the General Fund and the Debt Service Fund. The General Fund had \$11,878,453 in revenues and \$11,907,671 in expenditures. The General Fund's balance increased \$109,326. The Debt Service Fund had \$239,263 in revenues and \$172,329 in expenditures. The Debt Service Fund's balance increased \$66,934.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Minford Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

- In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Fund.

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

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$4,707,440	\$4,476,383
Capital Assets	29,607,661	30,880,456
Total Assets	<u>34,315,101</u>	<u>35,356,839</u>
Liabilities		
Long-term Liabilities	2,801,468	3,004,822
Other Liabilities	3,011,197	2,684,046
Total Liabilities	<u>5,812,665</u>	<u>5,688,868</u>
Net Assets		
Invested in Capital Assets, Net of Debt	27,707,156	28,824,541
Restricted	707,479	1,020,150
Unrestricted	87,801	(176,720)
Total Net Assets	<u>\$28,502,436</u>	<u>\$29,667,971</u>

Total net assets of the District as a whole decreased \$1,165,535. This decrease to net assets is due mainly to the current year depreciation expense in the amount of \$978,467 and current year additions and deletions.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2005 and June 30, 2004.

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
Program Revenues		
Charges for Services and Sales	\$1,700,560	\$1,646,193
Operating Grants and Contributions	2,662,353	2,550,519
Capital Grants and Contributions	0	38,775
Total Program Revenues	<u>4,362,913</u>	<u>4,235,487</u>
General Revenues		
Property Taxes	1,586,756	1,546,916
Grants and Entitlements	7,945,178	7,521,738
Investment Earnings	48,720	31,480
Gifts and Donations	8,891	239,447
Miscellaneous	67,425	77,388
Total General Revenues	<u>9,656,970</u>	<u>9,416,969</u>
Total Revenues	<u>14,019,883</u>	<u>13,652,456</u>
Program Expenses		
Instruction:		
Regular	6,937,830	5,813,588
Special	992,022	990,212
Vocational	247,884	240,220
Other	1,007,251	953,840
Support Services:		
Pupil	345,268	424,253
Instructional Staff	707,256	732,368
Board of Education	40,765	58,155
Administration	1,365,128	1,397,450
Fiscal	272,998	262,286
Operation and Maintenance of Plant	1,217,499	1,893,716
Pupil Transportation	915,135	849,179
Central	3,421	2,890
Operation of Non-Instructional Services	626,850	210,952
Extracurricular Activities	409,554	357,138
Interest and Fiscal Charges	96,557	96,836
Total Expenses	<u>15,185,418</u>	<u>14,283,083</u>
Decrease in Net Assets	<u>(1,165,535)</u>	<u>(630,627)</u>
Net Assets, Beginning of Year	<u>29,667,971</u>	<u>30,298,598</u>
Net Assets, End of Year	<u>\$ 28,502,436</u>	<u>\$ 29,667,971</u>

Grants and entitlements comprised 76 percent of revenue for governmental activities during 2005 and represents the largest source of revenue.

Property taxes comprised 11 percent of revenue for governmental activities of the District for fiscal year 2005.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Program Expenses				
Instruction:				
Regular	\$6,937,830	\$5,698,400	\$5,813,588	\$4,663,822
Special	992,022	68,208	990,212	102,946
Vocational	247,884	217,288	240,220	211,582
Other	1,007,251	880,496	953,840	839,654
Support Services:				
Pupil	345,268	282,079	424,253	315,211
Instructional Staff	707,256	473,733	732,368	479,436
Board of Education	40,765	34,937	58,155	51,107
Administration	1,365,128	1,171,452	1,397,450	1,232,515
Fiscal	272,998	234,029	262,286	227,318
Operation and Maintenance of Plant	1,217,499	988,053	1,893,716	1,591,316
Pupil Transportation	915,135	161,673	849,179	240,516
Central	3,421	3,421	2,890	2,890
Operation of Non-Instructional Services	626,850	183,876	210,952	(293,390)
Extracurricular Activities	409,554	358,560	357,138	314,847
Interest and Fiscal Charges	96,557	66,300	96,836	67,826
Total	<u>\$15,185,418</u>	<u>\$10,822,505</u>	<u>\$14,283,083</u>	<u>\$10,047,596</u>

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,023,043 and expenditures of \$14,488,746. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the School District amended its General Fund budget, but not significantly.

For the General Fund, final budget basis revenue and other sources was \$12,427,229, above original estimates of \$12,312,106. For the General Fund, final budget basis expenditures and other sources were \$11,974,232, above original estimates of \$11,834,596.

The School District's ending unobligated General Fund balance was \$1,275,693.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the School District had \$29,607,661 invested in land, land improvements, buildings, furniture and equipment, vehicles, and construction in progress. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2005	2004
Land and Land Improvements	\$1,363,636	\$1,263,643
Construction in Progress	0	15,993,718
Buildings and Improvements	26,781,845	12,033,918
Furniture and Equipment	1,179,480	1,248,675
Vehicles	282,700	340,503
Totals	\$29,607,661	\$30,880,457

Changes in capital assets from the prior year resulted from additions, disposals, depreciation and the District increasing their asset threshold to \$5,000.

Debt

At June 30, 2005, the School District had general obligation bonds outstanding of \$1,775,000. The bonds were issued for school construction. For additional information on debt, see Note 13 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eleanor Karshner, Treasurer at Minford Local School District, P.O. Box 204, Minford, Ohio 45653.

MINFORD LOCAL SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,738,816
Intergovernmental Receivable	111,260
Taxes Receivable	1,857,364
Noncurrent Assets:	
Non-Depreciable Capital Assets	674,603
Depreciable Capital Assets, net	28,933,058
 Total Assets	 34,315,101
 LIABILITIES:	
Current Liabilities:	
Accrued Wages and Benefits	974,900
Intergovernmental Payable	407,618
Accrued Interest Payable	7,761
Deferred Revenue	1,620,918
Noncurrent Liabilities:	
Due Within One Year	199,375
Due in More Than One Year	2,602,093
 Total Liabilities	 5,812,665
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	27,707,156
Restricted for Debt Service	507,317
Restricted for Capital Outlay	189,274
Restricted for Other Purposes	10,888
Unrestricted	87,801
 Total Net Assets	 \$28,502,436

See accompanying notes to the basic financial statements

MINFORD LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2005

		Program Revenues		<i>Net (Expense)</i>
	Expenses	Charges for	Operating Grants	Revenue and
		Services and Sales	and Contributions	Changes in
				Net Assets
Governmental Activities:				
Instruction:				
Regular	\$ 6,937,830	\$ 703,967	\$ 535,463	\$ (5,698,400)
Special	992,022	120,613	803,201	(68,208)
Vocational	247,884	30,596	0	(217,288)
Other	1,007,251	126,755	0	(880,496)
Support Services:				
Pupils	345,268	43,718	19,471	(282,079)
Instructional Staff	707,256	87,488	146,035	(473,733)
Board of Education	40,765	5,828	0	(34,937)
Administration	1,365,128	170,959	22,717	(1,171,452)
Fiscal	272,998	33,997	4,972	(234,029)
Operation and Maintenance of Plant	1,217,499	151,560	77,886	(988,053)
Pupil Transportation	915,135	174,085	579,377	(161,673)
Central	3,421	0	0	(3,421)
Operation of Non-Instructional Services	626,850	0	442,974	(183,876)
Extracurricular Activities	409,554	50,994	0	(358,560)
Interest and Fiscal Charges	96,557	0	30,257	(66,300)
Total Governmental Activities	\$ 15,185,418	\$ 1,700,560	\$ 2,662,353	\$ (10,822,505)

General Revenues:

Property Taxes Levied for:

General Purposes	1,586,756
Grants and Entitlements not Restricted to Specific Programs	7,945,178
Gifts and Donations not Restricted to Specific Programs	8,891
Investment Earnings	48,720
Miscellaneous	67,425
	<u>9,656,970</u>

Total General Revenues

9,656,970

Change in Net Assets

(1,165,535)

Net Assets at Beginning of Year - (As Restated - See Note 3)

29,667,971

Net Assets at End of Year

\$28,502,436

See accompanying notes to the basic financial statements

*Governmental Funds
June 30, 2005*

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,844,352	\$475,480	\$418,984	\$2,738,816
Intergovernmental Receivable	0	0	111,260	111,260
Taxes Receivable	1,576,834	246,411	34,119	1,857,364
<i>Total Assets</i>	<u>3,421,186</u>	<u>721,891</u>	<u>564,363</u>	<u>4,707,440</u>
LIABILITIES:				
<i>Current Liabilities:</i>				
Accrued Wages and Benefits	813,467	0	161,433	974,900
Intergovernmental Payable	321,825	0	85,793	407,618
Deferred Revenue	1,473,198	230,985	98,026	1,802,209
<i>Total Liabilities</i>	2,608,490	230,985	345,252	3,184,727
FUND BALANCES:				
<i>Reserved:</i>				
Reserved for Encumbrances	696,212	0	128,481	824,693
Reserved for Property Taxes	103,636	15,426	2,020	121,082
<i>Unreserved, Undesignated, Reported in:</i>				
General Fund	12,848	0	0	12,848
Special Revenue Funds	0	0	240	240
Debt Service Funds	0	475,480	0	475,480
Capital Projects Funds	0	0	88,370	88,370
<i>Total Fund Balances</i>	<u>812,696</u>	<u>490,906</u>	<u>219,111</u>	<u>1,522,713</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,421,186</u>	<u>\$721,891</u>	<u>\$564,363</u>	<u>\$4,707,440</u>

See accompanying notes to the basic financial statements

MINFORD LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances		\$ 1,522,713
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,607,661
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	115,364	
Intergovernmental	<u>65,927</u>	
Total		181,291
Interest payable is not recorded in the governmental funds, but is recorded in the statement of net assets.		(7,761)
Long-Term Liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(900,963)	
Capital Lease Obligations	(125,505)	
General Obligation Bonds	<u>(1,775,000)</u>	
Total		<u>(2,801,468)</u>
Net Assets of Governmental Activities		<u><u>\$ 28,502,436</u></u>

See accompanying notes to the basic financial statements

MINFORD LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$1,349,897	\$207,279	\$27,318	\$1,584,494
Intergovernmental	8,952,931	31,984	1,628,040	10,612,955
Interest	42,357	0	6,363	48,720
Tuition and Fees	1,313,121	0	0	1,313,121
Rent	3,535	0	0	3,535
Extracurricular Activities	140,296	0	0	140,296
Gifts and Donations	8,891	0	0	8,891
Customer Sales and Services	0	0	243,606	243,606
Miscellaneous	67,425	0	0	67,425
<i>Total Revenues</i>	<u>11,878,453</u>	<u>239,263</u>	<u>1,905,327</u>	<u>14,023,043</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,945,719	0	651,877	5,597,596
Special	539,432	0	474,412	1,013,844
Vocational	238,196	0	0	238,196
Other	1,007,251	0	0	1,007,251
Support Services:				
Pupils	342,570	0	43,314	385,884
Instructional Staff	521,356	0	195,526	716,882
Board of Education	42,650	0	0	42,650
Administration	1,377,430	0	24,849	1,402,279
Fiscal	250,965	5,211	3,989	260,165
Operation and Maintenance of Plant	1,145,704	0	98,563	1,244,267
Pupil Transportation	879,932	0	23,113	903,045
Central	3,421	0	0	3,421
Operation of Non-Instructional Services	5	0	587,142	587,147
Extracurricular Activities	432,933	0	0	432,933
Capital Outlay	103,019	0	305,961	408,980
Debt Service:				
Principal	72,649	75,000	0	147,649
Interest	4,439	92,118	0	96,557
<i>Total Expenditures</i>	<u>11,907,671</u>	<u>172,329</u>	<u>2,408,746</u>	<u>14,488,746</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(29,218)</u>	<u>66,934</u>	<u>(503,419)</u>	<u>(465,703)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	12,223	0	54,117	66,340
Proceeds from Sale of Fixed Assets	180,438	0	7,000	187,438
Transfers Out	(54,117)	0	(12,223)	(66,340)
<i>Total Other Financing Sources and Uses</i>	<u>138,544</u>	<u>0</u>	<u>48,894</u>	<u>187,438</u>
<i>Net Change in Fund Balances</i>	109,326	66,934	(454,525)	(278,265)
<i>Fund Balances at Beginning of Year</i>	<u>703,371</u>	<u>423,972</u>	<u>673,635</u>	<u>1,800,978</u>
<i>Fund Balances at End of Year</i>	<u><u>\$812,697</u></u>	<u><u>\$490,906</u></u>	<u><u>\$219,110</u></u>	<u><u>\$1,522,713</u></u>

See accompanying notes to the basic financial statements

MINFORD LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds \$ (278,265)

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

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

Capital Asset Additions	323,735	
Current Year Depreciation	(978,467)	
Total	(654,732)	(654,732)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. Those are the amounts of the loss on the disposal of fixed assets and the proceeds from the disposal of the assets.

Proceeds from Sale of Capital Assets	(187,438)	
Loss on Disposal of Capital Assets	(430,626)	
Total	(618,064)	(618,064)

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

Taxes	2,263	
Intergovernmental	(5,424)	
Total	(3,161)	(3,161)

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

75,000

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

72,649

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

Decrease in Compensated Absences	55,705	
Decrease in Intergovernmental Payable	185,333	

Total		241,038
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Net Change in Net Assets of Governmental Activities **\$ (1,165,535)**

See accompanying notes to the basic financial statements

MINFORD LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget And Actual
(Non-GAAP Budgetary Basis)
General Fund
For The Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Total Revenues and Other Sources	\$12,312,106	\$12,126,707	\$12,126,707	\$0
Total Expenditures and Other Uses	11,834,596	12,405,169	12,405,169	0
Net Change in Fund Balance	477,510	(278,462)	(278,462)	0
Fund Balance, July 1	906,839	1,175,553	1,175,553	0
Prior Year Encumbrances Appropriated	519,753	378,602	378,602	0
Fund Balance, June 30	<u>\$1,904,102</u>	<u>\$1,275,693</u>	<u>\$1,275,693</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,653</u>
Liabilities	
Undistributed Monies	<u>18,653</u>
Total Liabilities	<u>\$18,653</u>

See accompanying notes to the basic financial statements

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 54 non-certificated employees, 114 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,645 students and other community members. The School District currently operates 2 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:

- * Boosters Clubs
- * Parent - Teacher Organizations

The School District is associated with six organizations, four 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 Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Scioto County Regional Council of Governments. These organizations are presented in Notes 15, 16, and 17 to the basic 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 most significant of the School District's accounting policies are described below.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements:

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District's functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

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

General Fund

The General Fund is the general 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 is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Retirement Fund

The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general short-term and long-term debt principal and interest.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds which are used to maintain financial activity of the District's Student Activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's only agency funds are funds used to account for student-managed activities.

Measurement Focus

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 expenditures 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 year-end: property taxes available as an advance, tuition, grants, and fees.

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board' authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2005.

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

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrance is not reported on the government-wide financial statements.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as Equity in Pooled Cash and Cash Equivalents on the balance sheet.

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 2005 amounted to \$42,357 and \$6,363 for the other non-major governmental funds.

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

The District had no investments of June 30, 2005.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not capitalize interest for fixed asset purchases.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 years
Building and Improvements	20-25 years
Furniture and Equipment	10-15 years
Vehicles	10-15 years

F. Compensated Absences

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

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

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term loans, and capital leases are recognized as a liability on the government-wide financial statements when due.

H. Fund Balance Reserves

The School District records reservations for portions of fund balance which are legally segregated for a specific future use or which are not available for appropriation. Unreserved undesignated fund balance represents that portion of fund balance reflected for Governmental Funds, which is available for use within the specific purpose of those funds. Fund balance reserves are established for encumbrances and property taxes.

I. Estimates

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

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes represent balances in special revenue funds for grants whose use is restricted by grant agreements.

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

K. Interfund Transactions

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 3 – RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal year 2005, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers.” GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin and GASB Statement Nos. 41 and 40 had no effect on the District’s financial statements.

Restatements: Restatements were made to beginning net assets and capital assets due to the District changing their capitalization threshold from \$500 to \$5,000. Restatements were made to beginning fund balances because accounting errors were noted in the prior year for interfund activity.

These restatements had the following effects on fund balance/net assets of the District as they were previously reported.

	General Fund	Other Non- Major Funds
Fund Balance, June 30, 2004	\$667,713	\$709,293
Accounting Correction	35,658	(35,658)
Restated Fund Balance, June 30, 2004	\$703,371	\$673,635
Net Assets, June 30, 2004	\$31,988,786	
Capital Assets Restatement	(2,320,815)	
Restated Net Assets, June 30, 2004	\$29,667,971	

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is 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 (modified accrual) basis are as follows:

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

	Net Change in Fund Balance
	<u>General</u>
GAAP Basis	\$109,326
Revenue Accruals	55,593
Expenditure Accruals	76,372
Encumbrances	<u>(519,753)</u>
Budget Basis	<u><u>(\$278,462)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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; and
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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.

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.

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end \$2,545,257 the School District's bank balance of \$2,645,257 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - 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 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) is for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value as of January 1, 2005, 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. 2004 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2006 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. 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.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,588,130	88.91%	\$69,432,600	89.76%
Public Utility	6,448,570	9.62%	6,226,250	8.05%
Tangible Personal Property	982,012	1.47%	1,692,433	2.19%
Total Assessed Value	<u>\$67,018,712</u>	<u>100.00%</u>	<u>\$77,351,283</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.21		\$28.71	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied 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 is recognized as revenue.

The amount available as an advance at June 30, 2005, was \$103,636 in the General Fund, \$2,020 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund, and \$15,426 in the Debt Service Fund, and is presented as Reserved for Property Taxes on the Balance Sheet.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, tuition and 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:

	<u>Amount</u>
Non-Major Special Revenue Funds:	
Title VI-B	\$61,051
Title II	16,051
Learn and Serve Goals 2000 Grant	11,299
Title I	<u>22,859</u>
Total Non-Major Special Revenue Funds	<u>111,260</u>
Total All Funds	<u><u>\$111,260</u></u>

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	*Ending Balance 6/30/04	Additions	Deletions	Ending Balance 6/30/05
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$674,603	\$0	\$0	\$674,603
Construction in Progress	15,993,718	0	(15,993,718)	0
Total Capital Assets, Not Being Depreciated	<u>16,668,321</u>	<u>0</u>	<u>(15,993,718)</u>	<u>674,603</u>
Capital Assets Being Depreciated				
Land Improvements	693,530	223,437	0	916,967
Buildings and Improvements	15,034,494	16,012,265	(1,678,486)	29,368,273
Furniture and Equipment	1,864,376	81,751	(203,867)	1,742,260
Vehicles	1,267,554	0	(11,800)	1,255,754
Textbooks	976,247	0	0	976,247
Total Capital Assets, Being Depreciated	<u>19,836,201</u>	<u>16,317,453</u>	<u>(1,894,153)</u>	<u>34,259,501</u>
Less Accumulated Depreciation:				
Land Improvements	(104,490)	(123,444)	0	(227,934)
Building and Improvements	(3,000,576)	(653,886)	1,068,034	(2,586,428)
Furniture and Equipment	(615,701)	(143,334)	196,255	(562,780)
Vehicles	(927,051)	(57,803)	11,800	(973,054)
Textbooks	(976,247)	0	0	(976,247)
Total Accumulated Depreciation	<u>(5,624,065)</u>	<u>** (978,467)</u>	<u>1,276,089</u>	<u>(5,326,443)</u>
Total Capital Assets Being Depreciated, Net	<u>14,212,136</u>	<u>15,338,986</u>	<u>(618,064)</u>	<u>28,933,058</u>
Governmental Activities Capital Assets, Net	<u>\$30,880,457</u>	<u>\$15,338,986</u>	<u>(\$16,611,782)</u>	<u>\$29,607,661</u>

*Restated – See Note 3.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 8 - CAPITAL ASSETS (continued)

**Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$840,345
Vocational	4,685
Support Services:	
Instructional Staff	3,226
Administration	4,133
Operation and Maintenance of Plant	4,811
Pupil Transportation	57,292
Non-Instructional Services	63,975
Total Depreciation Expense	\$978,467

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 2005, the School District contracted with Utica National Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Utica National Insurance are as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$36,581,760
Property In Open (\$2,500 deductible)	\$1,000,000
Inland Marine Coverage (\$500 deductible)	500,000
Boiler and Machinery (\$2,500 deductible)	35,781,760
Consequential Damage (\$2,500)	35,781,760
Crime Insurance	500,000
Data Processing (\$100 deductible)	75,000
Mechanical, Electrical and Pressure equipment(\$2,500 deductible)	35,781,760
Automobile Liability (\$0 deductible)	1,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	3,000,000

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 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 9 - RISK MANAGEMENT (continued)

The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool (Note 17), 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 turn 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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Minford Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available, stand alone report that includes financial statements and required supplementary information for SERS. 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 10% of their annual covered salary and the Minford Local School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$245,362, \$129,458, and \$96,733, respectively; 36% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$156,662 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

A. State Teachers Retirement System

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. 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, 2005, 2004, and 2003 were \$1,016,603, \$966,865, and \$876,535, respectively; 87% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$133,216 represents the unpaid contribution for fiscal year 2005 and 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 the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$71,419 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. 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 2005, the minimum pay was established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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 2005 fiscal year equaled \$206,018.

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, 2004 were \$223,443,805 and the target level was \$335.6 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 Sun Life Financial.

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.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School Districts long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/04	Additions	Deductions	Principal Outstanding 6/30/05	Due within One Year
1998 School Facilities Construction and Improvement Bonds – 5.09%	\$1,850,000	\$0	\$75,000	\$1,775,000	\$75,000
Capital Lease	198,154	0	72,649	125,505	74,628
Compensated Absences	956,668	900,963	956,668	900,963	49,747
Total General Long-Term Obligations	\$3,004,822	\$900,963	\$1,104,317	\$2,801,468	\$199,375

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 is 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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 statewide 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.

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 \$6,961,615 with an unvoted debt margin of \$77,351 at June 30, 2005.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2005, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$75,000	\$88,855	\$163,855
2007	80,000	85,425	165,425
2008	80,000	81,845	161,845
2009	85,000	78,111	163,111
2010	90,000	74,108	164,108
2011-2015	525,000	291,044	816,044
Thereafter	840,000	132,875	972,875
Total	\$1,775,000	\$832,263	\$2,607,263

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Capital Lease Obligations

During a previous fiscal year, the School District entered into a lease purchase agreement with the U.S. Bank National Association as part of the National School Fitness Program for various types of fitness equipment. The amount of the agreement was \$221,940 with an annual interest rate of 2.69%. Monthly payments in the amount of \$6,424.01 are due on the 13th day of each month beginning March 13, 2004 and continuing for thirty-six (36) months with the final payment due on February 13, 2006. This lease was entered into under the assumption that the lease payments would be reimbursed by the National School Fitness Foundation.

The terms of the agreement provide options to purchase the equipment. The lease met all the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The Capital lease payments for the lease related to the General Fund have been classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

For the leased assets related to the Governmental Funds, capital assets acquired by the lease have been capitalized in the Government-Wide Financial Statements in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the Government-Wide Financial Statements. The District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2005 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Capital Leases</u>
2006	\$77,088
2007	<u>51,392</u>
Total minimum lease payments	128,480
Less: amount representing interest	<u>(2,975)</u>
Present value of minimum lease payments	<u>\$125,505</u>

NOTE 14 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2005, were as follows:

Fund:	Transfer In	Transfer Out
Major Funds:		
General Fund	<u>\$12,223</u>	<u>\$54,117</u>
Special Revenue Funds, Non-Major:		
DPIA		12,223
Food Services	44,498	0
Title VI-B	8,220	0
Title II-D	<u>1,399</u>	<u>0</u>
Total Non-major Special Revenue Funds	<u>54,117</u>	<u>12,223</u>
Total All Funds	<u>\$66,340</u>	<u>\$66,340</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - 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 did not incur any expenditures for services provided by SCOCA during this fiscal 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, Brett Butler, who serves as Treasurer, at 951 Vern Riffe Drive, Lucasville, Ohio 45648.

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 \$330 to the Coalition for services provided during the year.

The Pilasco-Ross Special Education Regional Resource Center - The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by a participating school district is limited to its representation on the Board. The School District's Superintendent is a member of the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

NOTE 16 - 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.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 17 - 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 18 - 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.

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, 2004	\$0	\$0	\$0
Current year set-aside requirement	236,151	236,151	472,302
Current year offsets & Pr. Yr. Carry Over	(372,213)	(31,970,535)	(32,342,748)
Qualifying disbursements	(110,698)	(67,471)	(178,169)
Set-aside Balance Carried Forward to Future Years	<u>(\$246,760)</u>	<u>(\$31,801,855)</u>	<u>(\$32,048,615)</u>
Set-aside Reserve Balance as of June 30, 2005	<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.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 19 - SCHOOL FUNDING COURT DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

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.

NOTE 20 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability - Fund Equity Deficits

At June 30, 2005, the Food Service and the Technology – Title II-D Special Revenue Funds had fund balance deficits of \$44,890 and \$3,116, respectively which 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 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, 2005.

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.

Minford Local School District
Scioto County

Schedule of Federal Awards Expenditures
For Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the ODE Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	\$ -	\$ 63,900	\$ -	\$ 63,900
National School Breakfast Program	05PU	10.553	\$ 57,782		\$ 57,782	
National School Lunch Program	LL-P4	10.555	221,562	-	221,562	-
Total United States Department of Agriculture - Nutrition Cluster			279,344	63,900	279,344	63,900
United States Department of Education						
Title I Grants to Local Educational Agencies	C1-S1	84.010	476,549	-	418,168	-
Special Education - Grants to States	6B-SF	84.027	281,879	-	287,550	-
State Grants for Innovative Programs	C2-S1	84.298	7,479	-	7,526	-
Safe and Drug-Free Schools and Communities State Grants	DR-S1	84.186	17,353	-	19,096	-
Improving Teacher Quality State Grants	TR-S1	84.367	110,031	-	113,175	-
Education Achievement Program	RU-S1	84.358	17,907		8,888	
Education Technology State Grant	TJ-S1	84.318	6,486	-	6,421	-
Total United States Department of Education			917,684	-	860,824	-
Total Federal Financial Assistance			\$ 1,197,028	\$ 63,900	\$ 1,140,168	\$ 63,900

See accompanying notes to the schedule of federal awards expenditures.

MINFORD LOCAL SCHOOL DISTRICT
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2005

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, 2005, the District had no significant food commodities in inventory.

BALESTRA, HARR & SCHERER, CPAs, INC.

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

Members of the Board
Minford Local School District
PO Box 204
Minford, Ohio 45653

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minford Local School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 23, 2006 in which we indicated the District implemented GASB Statements No. 40 and 41 and GASB Technical Bulletin 2004-2. 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.

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 basic financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the District in a separate letter dated February 23, 2006.

Members of the Board

Minford Local School District

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

Page 2

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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

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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
PO 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 each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 each of its major federal programs for the year ended June 30, 2005.

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

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, management, 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, Harr & Scherer, CPAs, Inc.

February 23, 2006

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

**MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY, OHIO
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

SCIOTO VALLEY LOCAL SCHOOL DISTRICT
PIKE COUNTY, OHIO
JUNE 30, 2005

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
JUNE 13, 2006**