

**BLACK RIVER LOCAL
SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

CONNIE HANGE, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Black River Local School District
257 A County Road 40
Sullivan, Ohio 44880

We have reviewed the Independent Auditor's Report of the Black River Local School District, Medina County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 15, 2002

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**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

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Independent Auditor's Report

Board of Education
Black River Local School District
257 County Road 40
Sullivan, Ohio 44880

We have audited the accompanying general purpose financial statements of the Black River Local School District, Medina County, as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Black River Local School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Black River Local School District, Medina County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2002 on our consideration of the Black River Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
January 14, 2002

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		General	
										Fixed Assets	Long-Term Obligations
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$3,806,847	\$195,323	\$1,567,325	\$27,684	\$4,505	\$41,355			\$5,643,039		
Equity in pooled cash and cash equivalents - nonexpendable trust fund						25,132			25,132		
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent . .	3,627,694		594,339		15				4,222,033		
Accounts	3,028	154							3,197		
Prepayments	21,662								21,662		
Materials and supplies inventory					11,416				11,416		
Restricted assets:											
Equity in pooled cash and cash equivalents	38,225								38,225		
Property, plant and equipment (net of accumulated depreciation where applicable)					172,222		\$14,545,687		14,717,909		
OTHER DEBITS:											
Amount available in Debt Service Fund . .								\$1,695,567	1,695,567		
Amount to be provided for retirement of General long-term obligations								5,833,117	5,833,117		
Total assets and other debits	<u>\$7,497,456</u>	<u>\$195,477</u>	<u>\$2,161,664</u>	<u>\$27,684</u>	<u>\$188,158</u>	<u>\$66,487</u>	<u>\$14,545,687</u>	<u>\$7,528,684</u>	<u>\$32,211,297</u>		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency		General	Long-Term Obligations
										Fixed Assets	
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$21,176	\$480		\$691	\$403				\$22,750		
Accrued wages and benefits	772,652	56,516			21,495				850,663		
Compensated absences payable	3,711				7,116			\$446,725	457,552		
Pension obligation payable	126,236	7,644			14,158			73,556	221,594		
Deferred revenue	3,228,793		\$463,882		4,213				3,696,888		
Due to students						\$39,996			39,996		
Accrued interest payable			2,215						2,215		
General obligation refunding bonds payable								4,790,800	4,790,800		
General obligation bonds payable								2,217,603	2,217,603		
Total liabilities	4,152,568	64,640	466,097	691	47,385	39,996	7,528,684		12,300,061		
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets							\$14,545,687		14,545,687		
Contributed capital					169,500				169,500		
(Accumulated deficit)					(28,727)				(28,727)		
Fund balances:											
Reserved for encumbrances	353,230	28,424		7,628					389,282		
Reserved for prepayments	21,662								21,662		
Reserved for debt service			1,565,110						1,565,110		
Reserved for tax revenue unavailable for appropriation	398,901		130,457						529,358		
Reserved for BWC refunds	38,225					22,327			38,225		
Reserved for principal endowment						2,805			2,805		
Reserved for scholarships						1,359			1,359		
Unreserved-undesignated	2,532,870	102,413		19,365					2,656,007		
Total equity and other credits	3,344,888	130,837	1,695,567	26,993	140,773	26,491	14,545,687		19,911,236		
Total liabilities, equity and other credits	\$7,497,456	\$195,477	\$2,161,664	\$27,684	\$188,158	\$66,487	\$14,545,687	\$7,528,684	\$32,211,297		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$3,121,059		\$905,837			\$4,026,896
Tuition	194,992	\$180				195,172
Earnings on investments	227,159		63,435	\$39	\$9	290,642
Donations	87,135	26,847			809	114,791
Extracurricular		214,417				214,417
Other local revenues	110,793					110,793
Other revenue		23,150				23,150
Intergovernmental - State	5,885,699	86,275	105,555	81,500		6,159,029
Intergovernmental - Federal		591,299				591,299
Total revenues	9,626,837	942,168	1,074,827	81,539	818	11,726,189
Expenditures:						
Current:						
Instruction:						
Regular	4,143,999	94,278		38,087		4,276,364
Special	747,552	470,091				1,217,643
Vocational	46,917					46,917
Support services:						
Pupil	279,047	73,551				352,598
Instructional staff	307,482	17,498		839		325,819
Board of Education	19,253					19,253
Administration	613,500	13,084				626,584
Fiscal	263,358		17,196			280,554
Business	9,910	170				10,080
Operations and maintenance	672,501					672,501
Pupil transportation	903,788	313				904,101
Central	12,046	21,913		25,500		59,459
Community services	9,105	3,000			700	12,805
Extracurricular activities	170,954	250,902				421,856
Facilities services	788,959			7,205		796,164
Debt service:						
Principal retirement			295,000			295,000
Interest and fiscal charges			376,727			376,727
Total expenditures	8,988,371	944,800	688,923	71,631	700	10,694,425
Excess of revenues over (under) expenditures	638,466	(2,632)	385,904	9,908	118	1,031,764
Other financing sources (uses):						
Premium on sale of bonds			585,227			585,227
Proceeds of refunding bonds			4,780,000			4,780,000
Payment to refunded bond escrow agent			(5,225,581)			(5,225,581)
Proceeds from sale of assets	14,491					14,491
Total other financing sources (uses)	14,491		139,646			154,137
Excess of revenues and other financing sources over (under) expenditures and other financing uses	652,957	(2,632)	525,550	9,908	118	1,185,901
Fund balance, July 1	2,686,523	133,469	1,170,017	17,085	1,241	4,008,335
Residual equity transfer in	5,408					5,408
Fund balance, June 30	\$3,344,888	\$130,837	\$1,695,567	\$26,993	\$1,359	\$5,199,644

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,406,332	\$3,083,622	(\$322,710)				\$998,695	\$89,314	(\$105,554)						
Tuition.....	190,511	201,952	11,441	\$179	\$180	\$1									
Earnings on investments.....	214,290	227,159	12,869	241,700	242,426	726	25,733	63,435	37,702	\$39	\$39	\$0			
Other local revenues.....	164,609	174,495	9,886	23,081	23,150	69									
Other revenue.....	5,552,733	5,886,199	333,466	86,017	86,275	258	42,819	105,554	62,735	81,500	81,500	0			
Intergovernmental - State.....				589,529	591,299	1,770									
Intergovernmental - Federal.....				940,506	943,330	2,824	1,067,247	1,062,130	(5,117)	81,539	81,539	0			
Total revenues.....	9,528,475	9,573,427	44,952	940,506	943,330	2,824	1,067,247	1,062,130	(5,117)	81,539	81,539	0	11,617,767	11,660,426	42,659
Expenditures:															
Current:															
Instruction:															
Regular.....	4,373,315	4,130,071	243,244	107,239	98,026	9,213				45,715	45,715	0	4,526,269	4,273,812	252,457
Special.....	772,147	772,147	0	477,981	466,150	11,831							1,250,128	1,238,297	11,831
Vocational.....	46,111	46,111	0										46,111	46,111	0
Support services:															
Pupil.....	278,785	278,785	0	75,150	73,891	1,259				839	839	0	352,676	352,676	1,259
Instructional staff.....	308,966	308,966	0	19,179	16,872	2,307							328,984	326,677	2,307
Board of Education.....	23,916	23,916	0										23,916	23,916	0
Administration.....	607,178	607,178	0	13,085	13,085	0							620,263	620,263	0
Fiscal.....	271,193	271,193	0				17,195	17,195	0				288,388	288,388	0
Business.....	10,134	10,134	0	170	170	0							10,304	10,304	0
Operations and maintenance.....	695,265	695,265	0										695,265	695,265	0
Pupil transportation.....	983,245	983,245	0	312	312	0				25,500	25,500	0	983,557	983,557	0
Central.....	20,067	20,067	0	22,511	22,511	0							68,078	68,078	0
Community services.....	17,980	17,980	0	3,280	3,280	0							21,260	21,260	0
Extracurricular activities.....	168,703	168,703	0	279,557	279,527	230				7,205	7,205	0	448,260	448,030	230
Facilities services.....	3,298,884	1,020,227	2,278,657										3,306,089	1,027,432	2,278,657
Debt service:															
Principal retirement.....				295,000	295,000	0							295,000	295,000	0
Interest and fiscal charges.....				359,770	252,417	107,353							359,770	252,417	107,353
Total expenditures.....	11,875,889	9,353,988	2,521,901	998,464	973,624	24,840	671,965	564,612	107,353	79,259	79,259	0	13,625,577	10,971,483	2,654,094
Excess of revenues over (under) expenditures.....	(2,347,414)	219,439	2,566,853	(57,958)	(30,294)	27,664	395,282	497,518	102,236	2,280	2,280	0	(2,007,810)	688,943	2,696,753
Other financing sources (uses):															
Refund of prior year's expenditures.....	59,558	63,135	3,577										59,558	63,135	3,577
Operating transfers in.....	213,283	226,092	12,809										213,283	226,092	12,809
Operating transfers (out).....	(226,092)	(226,092)	0										(226,092)	(226,092)	0
Advances in.....	14,288	15,146	858										14,288	15,146	858
Advances (out).....	(1,360)	(1,360)	0	(9,811)	(9,811)	0							(11,171)	(11,171)	0
Premium/accrued interest on bonds.....							7,120	17,551	10,431				7,120	17,551	10,431
Proceeds from sale of fixed assets.....	13,671	14,492	821										13,671	14,492	821
Total other financing sources (uses).....	73,348	97,413	18,065	(9,811)	(9,811)	0	7,120	17,551	10,431				70,657	99,153	28,496
Excess of revenues and other financing sources over (under) expenditures and other financing (uses):	(2,274,066)	310,852	2,584,918	(67,769)	(40,105)	27,664	402,402	515,069	112,667	2,280	2,280	0	(1,937,153)	788,096	2,725,249
Fund balances, July 1.....	2,435,638	2,435,638	0	188,881	188,881	0	1,052,256	1,052,256	0	9,957	9,957	0	3,686,732	3,686,732	0
Prior year encumbrances appropriated.....	724,156	724,156	0	17,643	17,643	0				7,128	7,128	0	748,927	748,927	0
Fund balances, June 30.....	\$885,748	\$3,470,666	\$2,584,918	\$138,755	\$166,419	\$27,664	\$1,454,658	\$1,567,325	\$112,667	\$19,365	\$19,365	\$0	\$2,498,526	\$5,223,775	\$2,725,249

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN (ACCUMULATED DEFICIT)/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Sales/charges for services.	\$210,011		\$210,011
Investment earnings.		\$1,645	1,645
Other operating revenues	417	80	497
 Total operating revenues.	 210,428	 1,725	 212,153
Operating expenses:			
Personal services	156,720		156,720
Contract services	3,514		3,514
Materials and supplies.	191,038		191,038
Depreciation.	10,101		10,101
Other.	393	1,231	1,624
 Total operating expenses	 361,766	 1,231	 362,997
Operating income (loss)	(151,338)	494	(150,844)
Nonoperating revenues:			
Operating grants.	119,997		119,997
Investment earnings	1,038		1,038
Federal commodities.	21,628		21,628
 Total nonoperating revenues	 142,663		 142,663
Net income (loss)	(8,675)	494	(8,181)
(Accumulated deficit)/ fund balance, July 1 (Restated)	(14,644)	24,638	9,994
Residual equity transfer out	(5,408)		(5,408)
(Accumulated deficit)/fund balance June 30 . .	<u>(28,727)</u>	<u>\$25,132</u>	<u>(\$3,595)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from sales/service charges.	\$210,059		\$210,059
Cash received from other operations	402	\$80	482
Cash payments for personal services.	(148,834)		(148,834)
Cash payments for contract services	(3,261)		(3,261)
Cash payments supplies and materials	(171,561)		(171,561)
Cash payments for other expenses	(393)	(1,231)	(1,624)
	<u>(113,588)</u>	<u>(1,151)</u>	<u>(114,739)</u>
Net cash used in operating activities			
Cash flows from noncapital financing activities:			
Cash received from operating grants.	119,997		119,997
Residual equity transfer out	(5,408)		(5,408)
Cash repayment of interfund loans	(5,335)		(5,335)
	<u>109,254</u>		<u>109,254</u>
Net cash provided by noncapital financing activities			
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,016)		(2,016)
	<u>(2,016)</u>		<u>(2,016)</u>
Net cash used in capital and related financing activities.			
Cash flows from investing activities:			
Interest received	1,038	1,645	2,683
	<u>1,038</u>	<u>1,645</u>	<u>2,683</u>
Net cash provided by investing activities			
Net increase (decrease) in cash and cash equivalents.	(5,312)	494	(4,818)
Cash and cash equivalents at beginning of year	9,817	24,638	34,455
Cash and cash equivalents at end of year	<u>\$4,505</u>	<u>\$25,132</u>	<u>\$29,637</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$151,338)	\$494	(\$150,844)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	10,101		10,101
Interest posted as operating revenue		(1,645)	(1,645)
Federal donated commodities	21,628		21,628
Changes in assets and liabilities:			
Increase in supplies inventory.	(5,072)		(5,072)
Decrease in accounts receivable.	762		762
Decrease in accounts payable	(88)		(88)
Increase in accrued wages & benefits.	2,711		2,711
Increase in compensated absences payable	2,305		2,305
Increase in pension obligation payable	2,870		2,870
Increase in deferred revenue	2,533		2,533
	<u>(113,588)</u>	<u>(1,151)</u>	<u>(114,739)</u>
Net cash used in operating activities			

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Black River Local School District (the "District") is located in portions of Medina County, Ashland County and Lorain County in Northeast Ohio. The District includes all of the villages of Sullivan, Spencer, Homerville and portions of surrounding townships, covering approximately 125 square miles.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 comprehensive school, serving grades K through 8, and 1 high school. The District employs 65 non-certified and 103 (including administrative) full-time and part-time employees to provide services to approximately 1,549 students in grades K through 12 and various community groups, which ranks it 365th out of approximately 682 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organization:

Medina County Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Joint Venture without Equity Interest:

Lake Erie Educational Computer Association (LEECA)

LEECA is a joint venture among 30 school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these school districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. LEECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in LEECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

The District is also a participant in two insurance group purchasing pools, discussed in Note 9.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; Agency Funds are therefore presented on a budgetary basis, with note disclosure, if applicable, regarding items, which, in other funds, would be subject to accrual.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary funds and Nonexpendable Trust fund.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary funds and Nonexpendable Trust fund.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus/Basis of Accounting

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

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes and accounts. Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Medina County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$2,560,630
Special Revenue Funds	13,795
Capital Projects Funds	62,135
Enterprise Funds	<u>(36,036)</u>
Total	<u>\$2,600,524</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District 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 commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are reported in Note 10 to the financial statements.

E. Cash and Investments

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

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), a money market account, and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District assigns all investment earnings to the General fund, except those authorized by the Board of Education, which are the Building Fund, Debt Service Fund, Trust funds and Food Service Fund. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$227,159, which includes \$25,892 assigned from other District funds.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepayments

Prepayments for Governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest on debt issued to construct or acquire general fixed assets is not capitalized in the account group. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Proprietary and Nonexpendable Trust Fund

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and funding is available. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Debt Service Fund
State Property Tax Relief

Non-Reimbursable Grants

Capital Projects Funds
SchoolNet
Emergency Building Repairs

Proprietary Funds
Food Distribution Program
(Donated Commodities)

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-Reimbursable Grants - (Continued)

Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
EHA Preschool Subsidy
Title VI-B
Title I
Title VI
Drug-Free Schools
Data Communication
SchoolNet Professional Development
Ohio Reads
Eisenhower Professional Development
Family & School Partnership
Title VI-R

General Fund

School Bus Purchases
Driver Education

Proprietary Funds

National School Lunch Program
School Breakfast Program

Grants and entitlements amounted to approximately 57% of the District's operating revenue during the 2001 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation and BWC refunds. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

Transactions between funds during the normal course of operations may occur. These may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

There were no interfund transactions outstanding at the end of the fiscal year. The residual equity transfer reported on the financial statements represents the discontinued Uniform School Supplies fund’s (an Enterprise fund) remaining equity transferred to the General fund.

N. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>BWC Refunds</u>
Set-aside cash balance as of July 1, 2000	\$ (37,815)	\$ (100,295)	\$ 151,777	\$ 0
Required set-aside	195,188	195,188		
Qualifying disbursements	(265,986)	(1,019,853)		
Change in statutory requirement	<u> </u>	<u> </u>	<u>(151,777)</u>	<u>38,225</u>
Total	<u>(108,613)</u>	<u>(924,960)</u>	<u>0</u>	<u>38,225</u>
Cash balance carried forward to FY 2002	<u><u>\$(108,613)</u></u>	<u><u>\$ (924,960)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$38,225</u></u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero in the textbook and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	<u>\$38,225</u>
Total restricted assets	<u>\$38,225</u>

O. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State Statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily specific purposes. A fund balance reserve has also been established. See Note 2.N. for statutory reserves.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Estimates

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

S. Contributed Capital

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal year 2001.

T. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year-end, the District had \$125 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

Deposits: At year-end, the carrying amount of the District's deposits was \$77,624 and the bank balance was \$139,980 (both amounts include \$24,618 in non-negotiable certificates of deposit). Of the bank balance:

1. \$124,618 was covered by federal deposit insurance; and
2. \$15,362 was uninsured and uncollateralized, but secured by collateralized pools securing all public funds on deposit with specific depository institutions. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category of Risk 3	Fair Value
Money Market	\$89,250	\$ 89,250
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	_____	5,539,397
Total Investments	<u>\$89,250</u>	<u>\$5,628,647</u>

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and NonExpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 5,706,396	\$ 0
Investments of the Cash Management Pool:		
Money Market	(89,250)	89,250
State Treasurer's Investment Pool	(5,539,397)	5,539,397
Cash on Hand	(125)	
 GASB Statement No. 3	 \$ 77,624	 \$5,628,647

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - PROPERTY TAXES - (Continued)

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

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 99,091,700	87.59	\$107,080,940	88.06
Public Utility Personal	8,816,750	7.79	8,474,350	6.97
Tangible Personal Property	5,221,777	4.62	6,040,565	4.97
	<u>\$113,130,227</u>	<u>100.00</u>	<u>\$121,595,855</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$52.43		\$52.43
Debt Service		8.40		8.40

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

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 Medina County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001, totaled \$398,901 in the General fund and \$130,457 in the Debt Service fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$3,627,694
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	594,339

NOTE 7 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	<u>Restated Balance July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2001</u>
Land, Buildings and Improvements	\$11,086,059	\$ 869,020		\$11,955,079
Furniture/Equipment	1,358,154	282,908	\$ (4,986)	1,636,076
Vehicles	846,578	107,954		954,532
Construction in Progress	53,400		(53,400)	0
Total	<u>\$13,344,191</u>	<u>\$1,259,882</u>	<u>\$(58,386)</u>	<u>\$14,545,687</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 7 - FIXED ASSETS - (Continued)

A summary of the Proprietary fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$258,362
Less: Accumulated Depreciation	<u>(86,140)</u>
Net Fixed Assets	<u>\$172,222</u>

NOTE 8 - LONG-TERM OBLIGATIONS

- A. On April 1, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds (principal \$4,780,000; interest rate 4.40%; stated maturity December 1, 2019). \$5,225,581 of the issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt, which will be called for redemption on December 1, 2004, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the General Long-Term Obligations Account Group. The outstanding amount of the defeased debt at June 30, 2001 was \$4,780,000. The advance refunding reduced cash flow required for debt service on general obligation bonds by \$990,001 over the next 18 years, and resulted in a net present value savings of \$238,793, using an interest rate of 4.6682% from date of delivery.

The refunding issue is comprised of both current interest bonds, par value \$4,585,000, and capital appreciation bonds, par value \$1,160,000. The average interest rate on the current interest bonds is 4.67%. The capital appreciation bonds mature each December 2007 through 2010 (effective interest ranging from 24.022% to 25.815%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$195,000. Total accreted interest of \$10,800 has been included in the General Long-Term Obligations Account Group at June 30, 2001.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2019.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

- B.** Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues. The District repaid these notes during the fiscal year.

- C.** Excluding amounts defeased during 2001, \$3,075,000 remained a general obligation of the District. This amount is comprised of both current interest bonds, par value \$1,275,000, and capital appreciation bonds, par value \$1,800,000. Interest accrues at rates ranging from 3.9% to 6.1%. The capital appreciation bonds have annual mandatory sinking fund redemption requirements and mature annually beginning December 1, 2005 through December 1, 2009 at a redemption price equal to 100% of the principal, plus accrued interest to date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$474,995. Total accreted interest of \$467,608 has been included in the General Long-Term Obligations Account Group at June 30, 2001. The current interest bonds mature annually each December 1, through 2005, with interest payments due on June 1 and December 1 of each year. Principal paid during fiscal 2001 on the current interest bonds was \$280,000.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

D. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2001</u>
<u>General Obligation Bonds:</u>				
Series 1994, Improvement 4.40%, 12/01/19 maturity	\$6,335,000		\$(5,060,000)	\$1,275,000
Series 1994, Improvement Capital Appreciation Bonds 9.94% to 10.96% (average effective) 12/01/05, 06, 07, 08, & 09 maturity	474,995			474,995
Series 1994, Improvement Capital Appreciation Bonds Accreted Interest	376,374	\$ 91,234		467,608
Series 2001, Refunding 4.67%, 12/01/19 maturity		4,585,000		4,585,000
Series 2001, Refunding Capital Appreciation Bonds 24.02% to 25.815% (average effective) 12/01/07, 08, 09, & 10 maturity		195,000		195,000
Series 2001, Refunding Capital Appreciation Bonds Accreted Interest	<u> </u>	<u>10,800</u>	<u> </u>	<u>10,800</u>
Total, General Obligation Bonds	<u>\$7,186,369</u>	<u>\$4,882,034</u>	<u>\$(5,060,000)</u>	<u>\$7,008,403</u>
<u>Other Obligations:</u>				
Compensated Absences	\$ 401,102	\$ 149,395	\$ (103,772)	\$ 446,725
Pension Benefit Obligation	62,509	73,556	(62,509)	73,556
Energy Conservation Notes	<u>15,000</u>	<u> </u>	<u>(15,000)</u>	<u> </u>
Total, Other Obligations	<u>478,611</u>	<u>222,951</u>	<u>(181,281)</u>	<u>520,281</u>
Total, All General Long-Term Liabilities	<u>\$7,664,980</u>	<u>\$5,104,985</u>	<u>\$(5,241,281)</u>	<u>\$7,528,684</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

E. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Fiscal Year Ending June 30	Current Interest General Obligation Bonds	Capital Appreciation General Obligation Bonds	Total
2002	\$ 706,269		\$ 706,269
2003	783,990		783,990
2004	783,678		783,678
2005	786,505		786,505
2006	432,383	\$ 360,000	792,383
2007 - 2011	1,018,090	2,405,000	3,423,090
2012 - 2016	2,142,776		2,142,776
2017 - 2021	<u>1,704,976</u>		<u>1,704,976</u>
Total	8,358,667	2,765,000	11,123,667
Less: Interest	<u>(2,498,667)</u>	<u>(1,616,597)</u>	<u>(4,115,264)</u>
Total	<u>\$ 5,860,000</u>	<u>\$ 1,148,403</u>	<u>\$ 7,008,403</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2001 are a voted debt margin of \$5,630,791 (including available funds of \$1,695,567); an unvoted debt margin of \$121,596; and an unvoted energy conservation debt margin of \$1,094,363.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - RISK MANAGEMENT

A. Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2001, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and are traditionally funded.

B. Health Insurance

The District is a member of the Stark County Schools Council, a public entity risk pool currently operates as a common risk management and health insurance program for member school districts. The District pays a monthly premium to the pool for health, prescription, drug, dental, and vision coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool has purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years.

C. OSBA Worker's Compensation Group Rating

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to join together in order to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains one Enterprise fund to account for the operations of Food Services, therefore segment information for the fiscal year ended June 30, 2001 is not presented. The Enterprise Fund had \$2,561 of encumbrances outstanding at June 30, 2001.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$175,738, \$167,100, and \$161,000, respectively; 47% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$93,732, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$630,055, \$581,638, and \$564,994, respectively; 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$104,616, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by STRS or SERS have an option to choose Social Security or STRS/SERS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. Through June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$177,345 during the 2001 fiscal year. As of July 1, 2000, there were 99,011 eligible benefit recipients. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$137,153 during the 2001 fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non GAAP Budgetary Basis) - All Governmental Fund Types 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	\$310,852	\$(40,105)	\$ 515,069	\$2,280
Net Adjustment for Revenue Accruals	53,410	(1,162)	12,697	
Net Adjustment for Expenditure Accruals	(8,789)	(80)	(124,311)	(691)
Net Adjustment for Other Financing Sources/(Uses)	(76,922)	9,811	122,095	
Adjustment for Encumbrances	<u>374,406</u>	<u>28,904</u>	<u> </u>	<u>8,319</u>
GAAP Basis	<u>\$652,957</u>	<u>\$ (2,632)</u>	<u>\$ 525,550</u>	<u>\$9,908</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

C. School Funding Decision

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

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

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 14 - CONTINGENT LIABILITIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

NOTE 15 - SUBSEQUENT EVENT

On January 3, 2002 Connie Hange became the Treasurer at the District.

SUPPLEMENTAL DATA

**BLACK RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (C) Food Distribution	10.550	N/A		\$24,161		\$24,161
(A) (D) School Breakfast Program	10.553	48462-05-PU 2001	\$6,140		\$6,140	
(A) (D) School Breakfast Program	10.553	48462-05-PU 2000	16,628		16,628	
(A) (D) National School Lunch Program	10.555	48462-LL-P1 2001	49,019		49,019	
(A) (D) National School Lunch Program	10.555	48462-LL-P4 2001	18,427		18,427	
(A) (D) National School Lunch Program	10.555	48462-LL-P1 2000	16,857		16,857	
(A) (D) National School Lunch Program	10.555	48462-LL-P4 2000	6,171		6,171	
Total U. S. Department of Agriculture and Nutrition Cluster			<u>113,242</u>	<u>24,161</u>	<u>113,242</u>	<u>24,161</u>
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Education	84.010	48462-C1-S1 2001	366,834		295,951	
Title I - Grants to Local Education	84.010	48462-C1-S1 2000	64,678		137,120	
Total Title I			<u>431,512</u>		<u>433,071</u>	
Special Education Cluster						
(B) Title VI-B Handicapped	84.027	48462-PG-S1 2001	0		10,115	
(B) Title VI-B Handicapped	84.027	48462-PG-S1 2000	72,670		72,670	
Total Title VI-B			<u>72,670</u>		<u>82,785</u>	
(B) Special Education Preschool Grant	84.173	48462-PG-S1 2000	3,382		3,382	
Total Special Education Cluster			<u>76,052</u>		<u>86,167</u>	
Title IV Drug Free Schools	84.186	48462-DR-S1 2001	6,222		6,222	
Family and School Partnership	84.236	48462-G2-S8 2000	0		3,878	
Title II Eisenhower	84.281	48462-MS-S1 2001	8,902		7,912	
Title II Eisenhower	84.281	48462-MS-S1 2000	0		8,962	
Title II Eisenhower	84.281	48462-MS-S1 1999	0		823	
Total Title II			<u>8,902</u>		<u>17,697</u>	
Title VI - Innovative Educational Program	84.298	48462-C2-S1 2001	7,425		7,425	
Title VI - Innovative Educational Program	84.298	48462-C2-S1 2000	7,146		6,324	
Total Title VI			<u>14,571</u>		<u>13,749</u>	
Title VI-R - Class Size Reduction	84.340	48462-CR-S1 2001	54,040		47,173	
Title VI-R - Class Size Reduction	84.340	48462-CR-S1 2000	0		3,924	
Total Title VI-R			<u>54,040</u>		<u>51,097</u>	
Total U. S. Department of Education			<u>591,299</u>		<u>611,881</u>	
Total Federal Financial Assistance			<u>\$704,541</u>	<u>\$24,161</u>	<u>\$725,123</u>	<u>\$24,161</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) Included as part of "Special Education Grant Cluster" in determining major programs.
- (C) The Food Distribution Program is a noncash, in kind, federal grant. Commodities are valued at fair market prices.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) This schedule was prepared on the cash basis of accounting.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Black River Local School District
257 County Road 40
Sullivan, Ohio 44880

We have audited the general purpose financial statements of Black River Local School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated January 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Black River Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Black River Local School District in a separate letter dated January 14, 2002.

Board of Education
Black River Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Black River Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Black River Local School District in a separate letter dated January 14, 2002.

This report is intended for the information and use of the management and Board of Education of the Black River Local School District 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.

Trimble, Julian & Grube, Inc.
January 14, 2002

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Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

Board of Education
Black River Local School District
257 County Road 40
Sullivan, Ohio 44880

Compliance

We have audited the compliance of Black River Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2001. Black River Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Black River Local School District's management. Our responsibility is to express an opinion on Black River Local School District's compliance based on our audit.

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

Board of Education
Black River Local School District

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

Internal Control Over Compliance

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

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

This report is intended for the information and use of management, the Board of Education of Black River Local School District, 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.

Trimble, Julian & Grube, Inc.
January 14, 2002

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Title I, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**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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OFFICE OF THE AUDITOR

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BLACK RIVER LOCAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2002**