

Minford Local School District

Scioto County

Single Audit

July 1, 2002 through June 30, 2003

Fiscal Year Audited Under GAGAS: 2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Minford Local School District, Scioto County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 20, 2004

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For the Fiscal Year Ended June 30, 2003

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minford Local School District (the School District), Scioto County, as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2003, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2003, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.  
December 30, 2003



**Minford Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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The discussion and analysis of the Minford Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not available. Subsequent reports will include the comparative information.

### **FINANCIAL HIGHLIGHTS**

**Key financial highlights for the fiscal year 2003 are as follows:**

- Net assets of governmental activities decreased \$282,395.
- General revenues accounted for \$8,584,044 in revenue or 73% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,235,163 or 27% of total revenues of \$11,819,207.
- The School District had \$12,101,602 in expenses related to governmental activities; only \$3,235,163 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$8,584,044 were adequate to provide for these programs.
- The School District has two major funds; the General Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$9,775,290 in revenues and other financing sources and \$10,165,799 in expenditures and other financing uses. The General Fund's balance decreased \$268,243. The Classroom Facilities Capital Projects Fund had \$2,188,774 in revenue and \$6,122,538 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased by \$3,933,764.

### **USING THIS ANNUAL FINANCIAL REPORT**

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

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

**Minford Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

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

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

**Minford Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

Table 1  
Net Assets

	Governmental Activities	
	2003	2002
<b>Assets</b>		
Current and Other Assets	\$7,433,232	\$13,942,963
Capital Assets	35,602,364	29,528,713
Total Assets	<u>43,035,596</u>	<u>43,471,676</u>
<b>Liabilities</b>		
Long-term Liabilities	2,656,483	2,812,407
Other Liabilities	3,207,353	3,205,114
Total Liabilities	<u>5,863,836</u>	<u>6,017,521</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	33,673,710	27,537,713
Restricted	802,772	7,522,335
Unrestricted	2,695,278	2,394,107
Total Net Assets	<u>\$37,171,760</u>	<u>\$37,454,155</u>

Total net assets of the District as a whole decreased \$282,395.

**Minford Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Minford Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2  
Changes in Net Assets

	Governmental Activities
	2003
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$902,970
Operating Grants, Contributions and Interest	2,332,193
Total Program Revenues	3,235,163
General Revenues	
Property Taxes	1,246,143
Grants and Entitlements	7,174,006
Investment Earnings	87,127
Miscellaneous	76,768
Total General Revenues	8,584,044
Total Revenues	11,819,207
<b>Program Expenses</b>	
Instruction:	
Regular	5,606,416
Special	930,977
Vocational	261,063
Other	239,958
Support Services:	
Pupil	347,585
Instructional Staff	618,178
Board of Education	46,880
Administration	1,123,080
Fiscal	216,627
Operation and Maintenance of Plant	1,247,558
Pupil Transportation	859,908
Central	3,344
Operation of Non-Instructional Services	225,422
Extracurricular Activities	273,482
Interest and Fiscal Charges	101,124
Total Expenses	12,101,602
Decrease in Net Assets	(\$282,395)

**Minford Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

Grants and entitlements comprised 61 percent of revenue for governmental activities during 2003 and represents the largest source of revenue.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 58 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2002
Program Expenses		
Instruction:		
Regular	\$5,606,416	(\$4,702,803)
Special	930,977	(215,575)
Vocational	261,063	(242,505)
Other	239,958	(223,562)
Support Services:		
Pupil	347,585	(259,486)
Instructional Staff	618,178	(471,820)
Board of Education	46,880	(43,724)
Administration	1,123,080	(1,046,713)
Fiscal	216,627	(198,512)
Operation and Maintenance of Plant	1,247,558	(1,054,010)
Pupil Transportation	859,908	(338,635)
Central	3,344	(3,119)
Operation of Non-Instructional Services	225,422	259,182
Extracurricular Activities	273,482	(254,231)
Interest and Fiscal Charges	101,124	(70,926)
Total	<u>\$12,101,602</u>	<u>(\$8,866,439)</u>

**THE SCHOOL DISTRICT FUNDS**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,892,683 and expenditures and other financing uses of \$18,374,198. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

The net change in fund balance was most significant in the classroom facilities capital project fund. The fund balance in this fund decreased \$3,933,764 due to expenditures on construction of new school buildings.

**Minford Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2003, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue was \$9,924,726, above original estimates of \$9,597,524. Of this \$327,202 difference, most was due to tax estimates, based on the County Auditor's Certification. The budget basis expenditures was \$10,434,612, below original appropriations of \$11,027,058. Of this \$592,446 difference, most was due to conservative estimates by the treasurer for expenditures.

The School District's ending unobligated General Fund balance was \$33,077 above the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2003, the School District had \$35,602,364 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2003	2002
Land and Land Improvements	\$426,201	\$426,201
Buildings and Improvements	13,059,101	13,231,513
Furniture and Equipment	3,219,382	2,948,132
Vehicles	295,159	348,540
Textbooks	840,992	851,186
Construction in Progress	17,761,529	11,723,141
Totals	\$35,602,364	\$29,528,713

Changes in capital assets from the prior year resulted from additions, deletions and depreciation. For additional information on capital assets, see note 9 to the basic financial statements.

***Debt***

At June 30, 2003, the School District had general obligation bonds outstanding of \$1,920,000 and an Asbestos Loan in the amount of \$600. The amounts due within one year are \$75,000 and \$600 for the bonds and loan respectively. Table 5 summarizes the bonds and loan outstanding.

**Minford Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

Table 5  
 Outstanding Debt at Year End  
 Governmental Activities

	2003	2002
1998 School Facilities Construction and Improvement Bonds – 5.09%	\$1,920,000	\$1,990,000
1991 EPA Asbestos – 0%	600	1,600
Total	\$1,920,600	\$1,991,600

These obligations were issued for school construction and improvements. For additional information on debt, see note 14 to the basic financial statements.

At June 30, 2003, the School District's overall legal debt margin was \$3,963,760 with an unvoted debt margin of \$65,382.

**ECONOMIC FACTORS**

Minford Local School District is financially stable. As the preceding information shows, the School District depends upon the State School Foundation Program. Minford Local School District must maintain its current spending habits to maintain its healthy financial situation. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

**Minford Local School District**  
**Statement of Net Assets**  
**June 30, 2003**

	<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,545,019
Inventory Held for Resale	8,695
Materials and Supplies Inventory	53,866
Accounts Receivable	23,517
Intergovernmental Receivable	1,166,424
Taxes Receivable	1,635,711
Noncurrent Assets:	
Non-Depreciable Capital Assets	18,187,730
Depreciable Capital Assets, net	<u>17,414,634</u>
 <i>Total Assets</i>	 <u><u>43,035,596</u></u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accrued Wages and Benefits	807,829
Contracts Payable	665,013
Intergovernmental Payable	264,813
Accrued Interest Payable	8,054
Deferred Revenue	1,461,644
Noncurrent Liabilities:	
Due Within One Year	75,600
Due in More Than One Year	<u>2,580,883</u>
 <i>Total Liabilities</i>	 <u><u>5,863,836</u></u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	33,673,710
Restricted for Debt Service	353,463
Restricted for Capital Outlay	300,688
Restricted for Other Purposes	148,621
Unrestricted	<u>2,695,278</u>
 <i>Total Net Assets</i>	 <u><u>\$37,171,760</u></u>

See accompanying notes to the basic financial statements



*Minford Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

	Expenses	Program Revenues		Net(Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$5,606,416	\$311,924	\$591,689	(\$4,702,803)
Special	930,977	31,389	684,013	(215,575)
Vocational	261,063	17,573	985	(242,505)
Other	239,958	16,137	259	(223,562)
<b>Support Services:</b>				
Pupils	347,585	17,939	70,160	(259,486)
Instructional Staff	618,178	36,166	110,192	(471,820)
Board of Education	46,880	3,156	0	(43,724)
Administration	1,123,080	76,367	0	(1,046,713)
Fiscal	216,627	13,560	4,555	(198,512)
Operation and Maintenance of Plant	1,247,558	70,181	123,367	(1,054,010)
Pupil Transportation	859,908	55,958	465,315	(338,635)
Central	3,344	225	0	(3,119)
Operation of Non-Instructional Services	225,422	233,144	251,460	259,182
Extracurricular Activities	273,482	19,251	0	(254,231)
Interest & Fiscal Charges	101,124	0	30,198	(70,926)
<i>Total Governmental Activities</i>	<u>12,101,602</u>	<u>902,970</u>	<u>2,332,193</u>	<u>(8,866,439)</u>
<b>General Revenues:</b>				
Property Taxes Levied for:				
General Purposes				1,053,478
Debt Service				168,542
Capital Projects				24,123
Grants and Entitlements not Restricted to Specific Programs				7,174,006
Investment Earnings				87,127
Miscellaneous				76,768
<i>Total General Revenues</i>				<u>8,584,044</u>
<i>Change in Net Assets</i>				(282,395)
<i>Net Assets Beginning of Year (Restated Note 3)</i>				37,454,155
<i>Net Assets End of Year</i>				<u>\$37,171,760</u>

See accompanying notes to the basic financial statements

**Minford Local School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2003**

	<u>General Fund</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,554,161	\$2,221,140	\$769,718	\$4,545,019
Inventory Held for Resale	0	0	8,695	8,695
Materials and Supplies Inventory	44,184	0	9,682	53,866
Accounts Receivable	23,518	0	0	23,518
Interfund Receivable	1,354	0	0	1,354
Intergovernmental Receivable	0	1,107,300	59,124	1,166,424
Taxes Receivable	1,376,061	0	259,650	1,635,711
<i>Total Assets</i>	<u>2,999,278</u>	<u>3,328,440</u>	<u>1,106,869</u>	<u>7,434,587</u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accrued Wages and Benefits	712,879	0	94,950	807,829
Contracts Payable	0	665,013	0	665,013
Interfund Payable	0	0	1,354	1,354
Intergovernmental Payable	137,705	0	22,000	159,705
Deferred Revenue	1,340,391	1,107,300	298,144	2,745,835
<i>Total Liabilities</i>	<u>2,190,975</u>	<u>1,772,313</u>	<u>416,448</u>	<u>4,379,736</u>
<b>FUND BALANCES:</b>				
<b>Reserved:</b>				
Reserved for Encumbrances	378,924	1,271,261	133,330	1,783,515
Reserved for Property Taxes	35,669	0	17,686	53,355
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	393,710	0	0	393,710
Special Revenue Funds	0	0	181,553	181,553
Capital Projects Funds	0	284,866	21,565	306,431
Debt Service Funds	0	0	336,287	336,287
<i>Total Fund Balances</i>	<u>808,303</u>	<u>1,556,127</u>	<u>690,421</u>	<u>3,054,851</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,999,278</u>	<u>\$3,328,440</u>	<u>\$1,106,869</u>	<u>\$7,434,587</u>

See accompanying notes to the basic financial statements

**Minford Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2003*

<b>Total Governmental Fund Balances</b>		\$ 3,054,851
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		35,602,364
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	120,711	
Intergovernmental	<u>1,163,480</u>	
Total		1,284,191
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds		(105,109)
Long-Term Liabilities and related accrued interest, including notes, loans long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(8,054)	
Compensated Absences	(735,883)	
Asbestos Abatement Loan	(600)	
Capital Improvement Notes	<u>(1,920,000)</u>	
Total		<u>(2,664,537)</u>
<b>Net Assets of Governmental Activities</b>		<u>\$ 37,171,760</u>

See accompanying notes to the basic financial statements

**Minford Local School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2003**

	<u>General</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$1,046,104	\$0	\$191,005	\$1,237,109
Intergovernmental	7,940,441	2,134,873	1,440,337	11,515,651
Interest	30,226	53,901	3,000	87,127
Tuition and Fees	567,698	0	0	567,698
Extracurricular Activities	102,128	0	0	102,128
Gifts and Donations	4,739	0	0	4,739
Customer Sales and Services	0	0	233,144	233,144
Miscellaneous	72,029	0	0	72,029
<i>Total Revenues</i>	<u>9,763,365</u>	<u>2,188,774</u>	<u>1,867,486</u>	<u>13,819,625</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,707,298	0	668,757	5,376,055
Special	526,171	0	384,145	910,316
Vocational	264,306	0	0	264,306
Other	239,728	0	230	239,958
<b>Support Services:</b>				
Pupils	270,237	0	76,414	346,651
Instructional Staff	544,874	41,581	103,942	690,397
Board of Education	46,670	0	0	46,670
Administration	1,143,303	0	0	1,143,303
Fiscal	201,925	0	8,921	210,846
Operation and Maintenance of Plant	1,041,228	13,884	63,223	1,118,335
Pupil Transportation	828,456	0	3,692	832,148
Central	3,344	0	0	3,344
Operation of Non-Instructional Services	1,887	0	510,589	512,476
Extracurricular Activities	282,158	0	0	282,158
Capital Outlay	3,081	6,067,073	101,878	6,172,032
<b>Debt Service:</b>				
Principal	0	0	71,000	71,000
Interest	0	0	93,070	93,070
<i>Total Expenditures</i>	<u>10,104,666</u>	<u>6,122,538</u>	<u>2,085,861</u>	<u>18,313,065</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(341,301)</u>	<u>(3,933,764)</u>	<u>(218,375)</u>	<u>(4,493,440)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	0	0	61,133	61,133
Proceeds from Sale of Fixed Assets	11,925	0	0	11,925
Transfers Out	(61,133)	0	0	(61,133)
<i>Total Other Financing Sources and Uses</i>	<u>(49,208)</u>	<u>0</u>	<u>61,133</u>	<u>11,925</u>
<i>Net Change in Fund Balances</i>	(390,509)	(3,933,764)	(157,242)	(4,481,515)
<i>Fund Balance at Beginning of Year (Restated Note 3)</i>	<u>1,198,812</u>	<u>5,489,891</u>	<u>847,663</u>	<u>7,536,366</u>
<i>Fund Balance at End of Year</i>	<u><u>\$808,303</u></u>	<u><u>\$1,556,127</u></u>	<u><u>\$690,421</u></u>	<u><u>\$3,054,851</u></u>

See accompanying notes to the basic financial statements

**Minford Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

**Net Change in Fund Balances - Total Governmental Funds** \$ (4,481,515)

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

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

Capital Asset Additions	6,887,039	
Current Year Depreciation	(407,769)	
Total	6,479,270	6,479,270

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

Proceeds from Sale of Capital Assets	(11,925)	
Loss on Disposal of Capital Assets	(393,694)	
Total	(405,619)	(405,619)

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

Taxes	9,034	
Intergovernmental	(2,009,452)	
Total	(2,000,418)	(2,000,418)

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

71,000

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

Decrease in Compensated Absences	84,924	
Increase in Interest Payable	(8,054)	
Increase in Intergovernmental Payable	(21,983)	
Total	54,887	54,887

**Net Change in Net Assets of Governmental Activities** \$ (282,395)

See accompanying notes to the basic financial statements

**Minford Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Non-GAAP Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Total Revenues and Other Sources	\$9,597,524	\$9,924,726	\$9,924,726	\$0
Total Expenditures and Other Uses	11,027,058	10,467,689	10,434,612	33,077
Net Change in Fund Balance	(1,429,534)	(542,963)	(509,886)	33,077
Fund Balance, July 1	1,413,298	1,413,298	1,413,298	0
Prior Year Encumbrances Appropriated	271,897	271,897	271,897	0
Fund Balance, June 30	<u>\$255,661</u>	<u>\$1,142,232</u>	<u>\$1,175,309</u>	<u>\$33,077</u>

See accompanying notes to the basic financial statements

**Minford Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2003*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$30,123</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$30,123</u>
<b>Total Liabilities</b>	<u><u>\$30,123</u></u>

See accompanying notes to the basic financial statements

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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

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

The School District was established in 1924 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 98 square miles. It is located in Scioto County, and includes the Village of Minford and the Townships of Madison and Harrison. It is staffed by 51 non-certificated employees, 111 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,627 students and other community members. The School District currently operates 3 instructional buildings.

*Reporting Entity:*

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

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

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

- \* Boosters Clubs
- \* Parent - Teacher Organizations

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

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

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



Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

*Government-wide Financial Statements:*

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

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

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

**B. Fund Accounting**

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

**Governmental Funds**

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

**General Fund**

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

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Classroom Facilities Fund**

The Classroom Facilities fund is a fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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

**Fiduciary Funds**

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

The School District's only fiduciary funds are agency funds which are used to maintain financial activity of the District's Student Activities.

**Measurement Focus**

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

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

**Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions**

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

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, (3) the costs related to the workers compensation retrospective rating program are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period the costs were incurred. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**C. Budgetary Process**

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

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2002.

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

**Encumbrances**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2003, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office that 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, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$30,226 and \$53,901 for the Classroom Facilities Fund and \$3,000 for the Food Service Fund.

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

**F. Inventory**

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

**G. Capital Assets and Depreciation**

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

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Capital Assets and Depreciation (continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure.

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

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

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

**H. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net assets. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**I. Compensated Absences**

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

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

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

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

**K. Fund Balance Reserves**

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

**L. Estimates**

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

**M. Net Assets**

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

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

**N. Interfund Transactions**

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

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For the fiscal year 2003, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements.” GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on accrual basis of accounting and fund financial statements which present information major funds rather than by fund type. Non-major funds are presented in total in one column, and also include the beginning, unreserved retained earnings balance of the Food Service Fund.

The implementation of the statements requires certain adjustments be recorded to the June 30, 2003, fund balances of major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Classroom Facilities	Non Major	Total
Fund Balances, June 30, 2002	\$1,197,072	\$5,489,891	\$891,340	\$7,578,303
Restatement Amount	1,740	0	(43,677)	(41,937)
Restated Fund Balances, July 1, 2002	\$1,198,812	\$5,489,891	\$847,663	\$7,536,366
Adjustments necessary to comply with GASB 34				29,917,789
Governmental Activities Net Assets June 30, 2002				\$37,454,155

**NOTE 4 – ACCOUNTABILITY**

**A. Accountability - Fund Equity Deficits**

At June 30, 2003, the Title VI-B and the Chapter 2/Title VI Special Revenue Funds had fund balance deficits of \$8,796 and \$773, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING** (continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis); and
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	(\$390,509)
Revenue Accruals	149,265
Expenditure Accruals	110,282
Encumbrances	<u>(378,924)</u>
Budget Basis	<u><u>(\$509,886)</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;



Minford Local School District  
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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
8. 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 one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$(133,085) and the bank balance was \$100,000. Of the bank balance, the entire bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Minford Local School District  
Notes to the General Purpose Financial Statements  
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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

	Category Three	Carrying Value	Market Value
Repurchase Agreement	\$306,721	\$306,721	\$306,721
STAR Ohio	0	4,401,506	4,401,506
Totals	\$306,721	\$4,708,227	\$4,708,227

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

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

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$4,575,142	\$0
Repurchase Agreement	(306,721)	306,721
STAR Ohio	(4,401,506)	4,401,506
<i>GASB Statement No. 3</i>	\$(133,085)	\$4,708,227

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Minford Local School District  
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**NOTE 7 - PROPERTY TAXES** (continued)

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

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$56,140,590	89.54%	\$58,344,890	89.24%
Public Utility	5,794,280	9.24%	6,063,120	0.24%
Tangible Personal Property	<u>767,040</u>	<u>1.22%</u>	<u>973,770</u>	<u>10.52%</u>
Total Assessed Value	<u>\$62,701,910</u>	<u>100.00%</u>	<u>\$65,381,780</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.58		\$34.58	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2003, was \$35,669 in the General Fund, \$1,994 in the Classroom Facilities Maintenance Special Revenue Fund, and \$15,692 in the Debt Service Fund.

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, tuition and fees, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Funds:	
Capital Projects Fund: Classroom Facilities	\$1,107,300
Total Major Funds	1,107,300
 Non-Major Special Revenue Funds:	
Title VI-B	24,833
Title V – Innovative Programs	3,514
Drug Free Grant	1,497
Title II – Class Size Reduction	29,280
Total Non-Major Special Revenue Funds	59,124
Total All Funds	\$1,166,424

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Ending Balance 6/30/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/03</u>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated				
Land	\$426,201	\$0	\$0	\$426,201
Construction in Progress	\$11,723,141	6,038,388	0	17,761,529
Total Capital Assets, Not Being Depreciated	12,149,342	6,038,388	0	18,187,730
Capital Assets Being Depreciated				
Buildings and Improvements	15,605,654	0	0	15,605,654
Furniture and Equipment	5,313,600	848,651	(1,039,216)	5,123,035
Vehicles	1,083,607	0	0	1,083,607
Textbooks	991,562	0	0	991,562
Total Capital Assets, Being Depreciated	22,994,423	848,651	(1,039,216)	22,803,858
Less Accumulated Depreciation:				
Building and Improvements	(2,374,141)	(172,412)	0	(2,546,553)
Furniture and Equipment	(2,365,468)	(171,782)	633,597	(1,903,653)
Vehicles	(735,067)	(53,381)	0	(788,448)
Textbooks	(140,376)	(10,194)	0	(150,570)
Total Accumulated Depreciation	(5,615,052)	(407,769)	633,597	(5,389,224)
Total Capital Assets Being Depreciated, Net	17,379,371	440,882	(405,619)	17,414,634
Governmental Activities Capital Assets, Net	\$29,528,713	\$6,479,270	(\$405,619)	\$35,602,364

Minford Local School District  
Notes to the General Purpose Financial Statements  
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**NOTE 9 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$252,112
Special	33,184
Support Services:	
Pupil	11,980
Instructional Staff	20,271
Administration	33,079
Fiscal	7,647
Operation and Maintenance of Plant	20,423
Pupil Transportation	16,802
Non-Instructional Services	378
Extracurricular Activities	11,893
Total Depreciation Expense	\$407,769

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

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

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

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 10 - RISK MANAGEMENT** (continued)

The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool (Note 19), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$96,733, \$44,357, and \$49,159, respectively; 47 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$51,732 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$876,535, \$481,274, and \$478,196, respectively; 87 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$110,184 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 12 – POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, and after, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$65,228 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3,011 million. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,469,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$150,241.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Insurance Benefits**

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

**C. Deferred Compensation**

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

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School Districts long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Due in One Year
1998 School Facilities Construction and Improvement Bonds – 5.09%	\$1,990,000	\$0	\$70,000	\$1,920,000	\$75,000
1991 EPA Asbestos Loan – 0%	1,600	0	1,000	600	600
Compensated Absences	820,807	0	84,924	735,883	0
Total General Long-Term Obligations	\$2,812,407	\$0	\$155,924	\$2,656,483	\$75,600

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



Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

Minford Local School District has been notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$33,485,311 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 600 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the statewide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. As of June 30, 2003, the School District had received a total of \$32,378,011 under this program.

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

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

The School District's overall legal debt margin was \$3,963,760 with an unvoted debt margin of \$65,382 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$70,600	\$95,218	\$165,818
2005	75,000	92,118	167,118
2006	75,000	88,855	163,855
2007-2011	430,000	389,318	819,318
2012-2016	555,000	260,340	815,340
2017-2021	715,000	93,749	808,749
Total	\$1,920,600	\$1,019,598	\$2,940,198

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables	Payables
<i>General Fund, Major Fund</i>	\$1,354	\$0
<i>Special Revenue Funds</i>		
Title V – Innovative Programs, Non-Major	0	1,354
Total All Funds	\$1,354	\$1,354

Minford Local School District  
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**NOTE 15 - INTERFUND ACTIVITY (continued)**

**Interfund Transfers**

Transfers made during the year ended June 30, 2003, were as follows:

Fund:	Transfer From:	Transfer To:
General, Major Fund	<u>\$61,133</u>	
Special Revenue Funds, Non-Major:		
Asbestos Grant		\$1,000
Food Services		58,978
Title II-A Class Size Reduction		<u>1,155</u>
	<u>\$61,133</u>	<u>\$61,133</u>

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

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual purchase commitments for the completion of school improvements and construction as follows:

Vendor	Contract Amount	Amount Expended	Balance at 6/30/2003
Brush Electric Contractors	\$1,646,085	\$1,583,533	\$62,552
Franklin Fire Sprinkler Company	282,503	272,447	10,056
J & H Reinforcing	450,056	340,211	109,845
Knight Electric	509,900	426,864	83,036
Mechanical Construction	3,434,993	3,168,641	266,352
Monarch Construction	<u>10,253,806</u>	<u>9,951,182</u>	<u>302,624</u>
Total	<u>\$16,577,343</u>	<u>\$15,742,878</u>	<u>\$834,465</u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Lawrence, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District did not incur any expenditures for services provided by SCOCA during this fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Minford Local School District  
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For the Fiscal Year Ended June 30, 2003

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$330 to the Coalition for services provided during the year.

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

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

**NOTE 18 - INSURANCE PURCHASING POOL**

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

**NOTE 19 - PUBLIC ENTITY SHARED RISK POOL**

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

Minford Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2002	\$0	\$0	\$0
Current year set-aside requirement	225,180	225,180	450,360
Current year offsets & Pr. Yr. Carry Over	(269,821)	(25,074,921)	(25,344,742)
Qualifying disbursements	(304,841)	(5,373,375)	(5,678,216)
Set-aside Balance Carried Forward to Future Years	(\$349,482)	(\$30,223,116)	(\$30,572,598)
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0	\$0

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

**NOTE 21 - SCHOOL FUNDING COURT DECISION**

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

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

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

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

**MINFORD LOCAL SCHOOL DISTRICT**  
**SCIOTO COUNTY, OHIO**

Schedule of Federal Awards Expenditures  
June 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster: Food Distribution Program	NA	10.550	\$0	\$42,265	\$0	\$42,265
School Breakfast Program	049627-05PU	10.553	35,278	0	35,278	0
National School Lunch Program	049627-LLP4	10.555	166,365	0	166,365	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			201,643	42,265	201,643	42,265
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	049627-C1S1	84.010	416,970	0	397,581	0
Special Education Grants to the States	049627-6BSF	84.027	123,231	0	141,897	0
Eisenhower Professional state Grants	049627-MSS1	84.281	1,083	0	2,319	0
Safe and Drug Free Schools and Communities: State Grants	049627-DRS1	84.186	9,819	0	8,639	0
Fund for the Improvement of Education	049627-CJSI	84.215	0	0	837	0
Goals 2000 Subsidy	049627-G2SP	84.276	0	0	12,728	0
Innovative Educational Program Strategies	049627-C2S1	84.298	14,266	0	16,217	0
Class Size Reduction	04627-CRS1	84.340	5,412	0	15,190	0
Title II-A Class Size Reduction	049627-TRS1	84.367	87,848	0	87,603	0
Technology Literacy Challenge Fund Grants	049627-TJS1	84.318	11,171	0	11,171	0
Rural Education Achievement Program	049627-RUS1	84.358	33,048	0	33,048	0
Assistive Technology Infusion Project	049627-ATSI	84.352A	0	0	230	0
Total U.S. Department of Education			702,848	0	727,460	0
<b>Total Federal Assistance:</b>			<u>\$904,491</u>	<u>\$42,265</u>	<u>\$929,103</u>	<u>\$42,265</u>

NA = Not Applicable

See Notes to the Schedule of Federal Award Expenditures

Minford Local School District  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2003

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the School District had no significant food commodities in inventory.

**BALESTRA, HARR & SCHERER, CPAS, INC.**  
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Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minford Local School District (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 30, 2003, in which we indicated the School District adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

**Balestra, Harr & Scherer, CPAs, Inc.**

Balestra, Harr & Scherer, CPAs, Inc.  
December 30, 2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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**Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

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

**Compliance**

We have audited the compliance of Minford Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.



### **Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the 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, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.  
December 30, 2003

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

MINFORD LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY  
JUNE 30, 2003

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

MINFORD LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY  
JUNE 30, 2003

**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

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

MINFORD LOCAL SCHOOL DISTRICT  
 SCIOTO COUNTY  
 JUNE 30, 2003

Finding Number:	Finding Summary:	Fully Corrected?	Not Corrected; Partially Corrected: Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-01	Ohio Revised Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated. Expenditures exceeded appropriations by \$8,615,177 in the Classroom Facilities Capital Project Fund. Expenditures also exceeded appropriations by \$50,000 in the Emergency School Building Repair Capital Project Fund.	Yes	
2002-02	Ohio Revised Code Section 5705.39 requires the total appropriation from each fund should not exceed the total estimated revenue. The District's appropriations exceeded the total estimated revenue by \$69,695 in the Title I Special Revenue Fund.	Yes	



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**MINFORD LOCAL SCHOOL DISTRICT**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 3, 2004**