



**Auditor of State
Betty Montgomery**

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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**Auditor of State
Betty Montgomery**

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INDEPENDENT ACCOUNTANTS' REPORT

Mississinawa Valley Local School District
Darke County
1469 State Route 47
Union City, Ohio 45390

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty D. Montgomery
Auditor of State

January 21, 2003

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$422,305	\$335,690	\$96,653	\$2,570,474
Cash and Cash Equivalents:				
In Segregated Accounts		2,000		
With Fiscal Agents		2,696		
With Escrow Agents				246,178
Receivables:				
Property and Other Taxes	1,398,700	23,023	142,538	64,631
Income Taxes	193,404			
Accounts	1,704	400		
Intergovernmental	24,426	40,463		
Accrued Interest	1,119			
Due From Other Funds	198	150		
Prepaid Items	19,335			1,643
Inventory Held for Resale				
Inventory of Supplies and Materials				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	196,390			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>2,257,581</u>	<u>404,422</u>	<u>239,191</u>	<u>2,882,926</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	23,508	26,662		2,350
Contracts Payable				719,315
Retainage Payable				498,189
Accrued Wages and Benefits Payable	424,854	42,503		
Due to Other Funds		3,175		
Intergovernmental Payable	123,605	20,520		
Due to Students				
Undistributed Assets				
Deferred Revenue	1,355,898	41,135	127,962	58,264
Compensated Absences Payable	7,022			
Special Termination Benefit Payable	7,200			
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,942,087</u>	<u>133,995</u>	<u>127,962</u>	<u>1,278,118</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	93,914	17,203		1,352,491
Reserved for Property Taxes	94,964	2,351	14,576	6,367
Reserved for Budget Stabilization	15,614			
Reserved for Textbooks and Instructional Materials	123,642			
Reserved for Bus Purchases	57,134			
Reserved for Donations				
Designated for Textbooks and Instructional Materials	21,083			
Designated for Capital Improvements	2,218			
Unreserved, Undesignated (Deficit)	(93,075)	250,873	96,653	245,950
Total Fund Equity and Other Credits	<u>315,494</u>	<u>270,427</u>	<u>111,229</u>	<u>1,604,808</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,257,581</u>	<u>\$404,422</u>	<u>\$239,191</u>	<u>\$2,882,926</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
		General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
Enterprise	Trust and Agency			
\$94,713	\$438,092			\$3,957,927
				2,000
				2,696
				246,178
				1,628,892
				193,404
5,949				8,053
				64,889
				1,119
2,977				3,325
				20,978
1,483				1,483
912				912
				196,390
4,066		\$19,627,352		19,631,418
			\$111,229	111,229
			2,106,186	2,106,186
<u>110,100</u>	<u>438,092</u>	<u>19,627,352</u>	<u>2,217,415</u>	<u>28,177,079</u>
96	12,319			64,935
				719,315
				498,189
13,799				481,156
	150			3,325
18,457			38,023	200,605
	40,987			40,987
	1,059			1,059
				1,583,259
9,363			257,900	274,285
			28,800	36,000
			72,224	72,224
			1,820,468	1,820,468
<u>41,715</u>	<u>54,515</u>		<u>2,217,415</u>	<u>5,795,807</u>
		19,627,352		19,627,352
68,385				68,385
				1,463,608
				118,258
				15,614
				123,642
				57,134
	373,584			373,584
				21,083
				2,218
	9,993			510,394
<u>68,385</u>	<u>383,577</u>	<u>19,627,352</u>		<u>22,381,272</u>
<u>\$110,100</u>	<u>\$438,092</u>	<u>\$19,627,352</u>	<u>\$2,217,415</u>	<u>\$28,177,079</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Property and Other Taxes	\$901,859	\$21,781	\$149,046	\$61,145		\$1,133,831
Income Taxes	476,336					476,336
Tuition and Fees	21,990					21,990
Interest	55,209			133,435		188,644
Intergovernmental	2,913,929	717,394	21,764	5,456,562		9,109,649
Gifts and Donations	4,500	500		2,150		7,150
Extracurricular Activities		96,450				96,450
Miscellaneous	5,991					5,991
Total Revenues	<u>4,379,814</u>	<u>836,125</u>	<u>170,810</u>	<u>5,653,292</u>		<u>11,040,041</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,953,831	82,537		7,687	\$417	2,044,472
Special	501,039	217,516				718,555
Vocational	131,116	739				131,855
Support Services:						
Pupils	98,346	92,990				191,336
Instructional Staff	309,655	282,432		42,640		634,727
Board of Education	11,203					11,203
Administration	490,259	43,772		129		534,160
Fiscal	128,132	2,549	11,159	1,972		143,812
Business	5,996					5,996
Operation and Maintenance of Plant	337,965	240		82,824		421,029
Pupil Transportation	243,369	1,417		106		244,892
Central	14,675					14,675
Extracurricular Activities	101,391	60,637				162,028
Capital Outlay				9,650,906		9,650,906
Debt Service:						
Principal Retirement	45,600		60,000			105,600
Interest and Fiscal Charges	5,436		97,985			103,421
Total Expenditures	<u>4,378,013</u>	<u>784,829</u>	<u>169,144</u>	<u>9,786,264</u>	<u>417</u>	<u>15,118,667</u>
Excess of Revenues Over (Under) Expenditures	1,801	51,296	1,666	(4,132,972)	(417)	(4,078,626)
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	9,059					9,059
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	10,860	51,296	1,666	(4,132,972)	(417)	(4,069,567)
Fund Balances at Beginning of Year (Restated - Note 23)	341,157	219,131	109,563	5,737,780	417	6,408,048
Decrease in Reserve for Inventory	(36,523)					(36,523)
Fund Balances at End of Year	<u>\$315,494</u>	<u>\$270,427</u>	<u>\$111,229</u>	<u>\$1,604,808</u>	<u>\$0</u>	<u>\$2,301,958</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$930,531	\$930,531		\$22,504	\$22,504	
Income Taxes	501,463	501,463				
Tuition and Fees	25,936	25,936				
Interest	57,876	57,876				
Intergovernmental	2,913,929	2,913,929		705,707	705,707	
Gifts and Donations	4,500	4,500		500	500	
Extracurricular Activities				95,889	95,889	
Miscellaneous	398	398				
Total Revenues	4,434,633	4,434,633		824,600	824,600	
Expenditures:						
Current:						
Instruction:						
Regular	2,075,705	1,931,726	\$143,979	91,844	84,173	\$7,671
Special	512,737	475,336	37,401	268,369	208,030	60,339
Vocational	144,918	131,667	13,251	3,701	3,451	250
Other	29,500	30,282	(782)	12,800	11,327	1,473
Support Services:						
Pupils	99,683	95,376	4,307	108,238	93,558	14,680
Instructional Staff	325,469	319,880	5,589	315,508	286,471	29,037
Board of Education	12,726	11,095	1,631			
Administration	508,522	494,749	13,773	57,513	44,250	13,263
Fiscal	143,954	132,229	11,725	4,663	2,556	2,107
Business	7,843	5,996	1,847			
Operation and Maintenance of Plant	444,697	360,284	84,413	320	240	80
Pupil Transportation	359,343	335,631	23,712	3,695	1,407	2,288
Central	19,253	14,942	4,311			
Extracurricular Activities	114,885	101,444	13,441	93,908	68,747	25,161
Capital Outlay						
Debt Service:						
Principal Retirement	45,600	45,600				
Interest and Fiscal Charges	5,436	5,436				
Total Expenditures	4,850,271	4,491,673	358,598	960,559	804,210	156,349
Excess of Revenues Over (Under) Expenditures	(415,638)	(57,040)	358,598	(135,959)	20,390	156,349
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	4,066	4,066				
Proceeds from Sale of Fixed Assets	9,059	9,059				
Other Financing Sources						
Advances-In	598	598				
Advances-Out	(5,000)		5,000	(598)	(598)	
Total Other Financing Sources (Uses)	8,723	13,723	5,000	(598)	(598)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(406,915)	(43,317)	363,598	(136,557)	19,792	156,349
Fund Balances at Beginning of Year	447,479	447,479		241,280	241,280	
Prior Year Encumbrances Appropriated	87,072	87,072		23,894	23,894	
Fund Balances (Deficit) at End of Year	\$127,636	\$491,234	\$363,598	\$128,617	\$284,966	\$156,349

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$159,736	\$159,736		\$63,009	\$63,009				
21,764	21,764		151,140	151,140				
			5,758,004	5,758,004				
			2,150	2,150				
181,500	181,500		5,974,303	5,974,303				
			18,204	18,204		\$417	\$417	
			42,640	42,640				
11,425	11,159	\$266	500	129	\$371			
			2,435	1,972	463			
			149,324	101,941	47,383			
			400	106	294			
			13,854,902	12,500,041	1,354,861			
60,000	60,000							
98,000	97,985	15						
169,425	169,144	281	14,068,405	12,665,033	1,403,372	417	417	
12,075	12,356	281	(8,094,102)	(6,690,730)	1,403,372	(417)	(417)	
12,075	12,356	281	(8,094,102)	(6,690,730)	1,403,372	(417)	(417)	
84,297	84,297		4,370,087	4,370,087		417	417	
			2,779,046	2,779,046				
\$96,372	\$96,653	\$281	(\$944,969)	\$458,403	\$1,403,372	\$0	\$0	\$0

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCES
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$153,241		\$153,241
Interest		\$9,582	9,582
Total Operating Revenues	<u>153,241</u>	<u>9,582</u>	<u>162,823</u>
Operating Expenses:			
Salaries and Wages	106,411		106,411
Fringe Benefits	36,730		36,730
Purchased Services	1,764		1,764
Supplies and Materials	27,625		27,625
Cost of Sales	87,552		87,552
Other Operating Expenses	6,979	33,800	40,779
Depreciation	981		981
Total Operating Expenses	<u>268,042</u>	<u>33,800</u>	<u>301,842</u>
Operating Loss	<u>(114,801)</u>	<u>(24,218)</u>	<u>(139,019)</u>
Non-Operating Revenues:			
Interest	335		335
Gain on Sale of Fixed Assets	1,385		1,385
Federal and State Subsidies	105,823		105,823
Federal Donated Commodities	17,684		17,684
Total Non-Operating Revenues	<u>125,227</u>		<u>125,227</u>
Net Income (Loss)	10,426	(24,218)	(13,792)
Retained Earnings/Fund Balance at Beginning of Year	<u>57,959</u>	<u>407,795</u>	<u>465,754</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$68,385</u></u>	<u><u>\$383,577</u></u>	<u><u>\$451,962</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Sales	\$154,456	\$154,456				
Interest	363	363		\$10,554	\$10,554	
Federal and State Subsidies	105,823	105,823				
Proceeds from Sale of Fixed Assets	2,555	2,555				
Total Revenues	<u>263,197</u>	<u>263,197</u>		<u>10,554</u>	<u>10,554</u>	
Expenses:						
Salaries and Wages	82,535	110,394	(\$27,859)			
Fringe Benefits	39,737	37,364	2,373			
Purchased Services	7,658	2,361	5,297			
Supplies and Materials	155,000	105,880	49,120			
Capital Outlay	2,000	8,815	(6,815)			
Other Operating Expenses	5,856	6,979	(1,123)	24,350	23,350	\$1,000
Total Expenses	<u>292,786</u>	<u>271,793</u>	<u>20,993</u>	<u>24,350</u>	<u>23,350</u>	<u>1,000</u>
Excess of Revenues Under Expenses	(29,589)	(8,596)	20,993	(13,796)	(12,796)	1,000
Fund Equity at Beginning of Year	87,659	87,659		406,421	406,421	
Prior Year Encumbrances Appropriated	232	232				
Fund Equity at End of Year	<u>\$58,302</u>	<u>\$79,295</u>	<u>\$20,993</u>	<u>\$392,625</u>	<u>\$393,625</u>	<u>\$1,000</u>

See Accompanying Notes to the General Purpose Financial Statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$154,456		\$154,456
Cash Payments for Employee Services and Benefits	(147,758)		(147,758)
Cash Payments to Suppliers for Goods and Services	(101,672)		(101,672)
Cash Payments for Other Operating Expenses	(6,979)	(\$22,850)	(29,829)
Net Cash Used In Operating Activities	<u>(101,953)</u>	<u>(22,850)</u>	<u>(124,803)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	105,823		105,823
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Sale of Fixed Assets	2,555		2,555
Cash Flows from Investing Activities:			
Interest	335	9,582	9,917
Net Increase (Decrease) in Cash and Cash Equivalents	6,760	(13,268)	(6,508)
Cash and Cash Equivalents Beginning of Year	87,953	407,795	495,748
Cash and Cash Equivalents End of Year	<u>\$94,713</u>	<u>\$394,527</u>	<u>\$489,240</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:			
Operating Loss	(\$114,801)	(\$24,218)	(\$139,019)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:			
Depreciation	981		981
Donated Commodities Used	16,784		16,784
Nonexpendable Trust Funds Interest		(9,582)	(9,582)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	997		997
Decrease in Due From Other Funds	218		218
Decrease in Inventory Held for Resale	344		344
Increase in Inventory of Supplies and Materials	(116)		(116)
Increase (Decrease) in Accounts Payable	(1,743)	10,800	9,057
Decrease in Accrued Wages and Benefits Payable	(3,327)		(3,327)
Increase in Due to Other Funds		150	150
Increase in Intergovernmental Payable	367		367
Decrease in Compensated Absences Payable	(1,657)		(1,657)
Net Cash Used In Operating Activities	<u>(\$101,953)</u>	<u>(\$22,850)</u>	<u>(\$124,803)</u>

Non-Cash Transaction:

During fiscal year 2002, the Food Service Enterprise Fund received donated commodities of \$17,684.

Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet

Cash and Cash Equivalents-All Fiduciary Funds	\$438,092
Cash and Cash Equivalents - Expendable Trust Funds	(\$1,059)
Cash and Cash Equivalents-Agency Fund	(42,506)
Cash and Cash Equivalents-Nonexpendable Trust Funds	<u>\$394,527</u>

See Accompanying Notes to the General Purpose Financial Statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Mississinawa Valley 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 federal guidelines.

A. Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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 Mississinawa Valley 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 School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 17 and 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group
Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects and expendable trusts) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

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

Capital Projects Funds

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type

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

Enterprise Funds

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

3. Fiduciary Fund Types

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

4. Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All enterprise funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. The enterprise and nonexpendable trust funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trusts, and agency funds. The full accrual basis of accounting is followed for the enterprise funds and nonexpendable trust funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income tax, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed, takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Notes 6 and 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 expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income tax, rent, billing for user charged services, student fees, grants and interest.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

C. Budgetary Process

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

All funds, other than the agency fund, are legally required to be budgeted and appropriated. A portion of the Title VI-B and Title VI-B early childhood development special revenue funds' grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the function level within each fund. The Treasurer has been given the authority to further allocate the Board's appropriations. Any budgetary modifications at the legal level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Darke County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year which was in effect at the time the final appropriations were passed by the Board of Education.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, monthly supplemental appropriations were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year for all funds at the function level, other the agency fund, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, 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 the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The balance of the Title VI-B and Title VI-B early childhood development activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents." Cash and cash equivalents that are held separately in accounts at a financial institution for retainages and not held with the Treasurer are reported as "cash and cash equivalents with escrow agents" and represent deposits. The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 2002, the School District's only investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$55,209, which includes \$23,884 assigned from other School District funds.

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

E. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

F. Prepaid Items

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

G. Inventory

Inventories of enterprise funds are stated at the lower of cost or market, which is determined on a first-in, first-out basis. Inventories of enterprise funds consist of donated food, purchased food, and non-food supplies and are expensed when used.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set aside for the purchase of textbooks and other instructional materials and for the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

I. Fixed Assets and Depreciation

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

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

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments represents principal in the nonexpendable trust funds that cannot be spent.

N. Fund Designations

The School District designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. The designation reflects the School District's intentions and is subject to change. The designation is part of unreserved fund balance. These designations arise when amounts set-aside for textbooks and instructional materials, and capital improvements exceed the statutory required amounts.

O. Estimates

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Title VI-R special revenue fund had a deficit fund balance at June 30, 2002 of \$207. The general fund regularly provides operating transfers to other funds when cash is needed, rather than when accruals occur.

B. Compliance

The general fund, other instruction had an excess of expenditures plus encumbrances over appropriations of \$782 for the fiscal year ended June 30, 2002.

The Ohio Reads special revenue fund had appropriations of \$53,470 in excess of estimated revenues and available balances of \$33,285, for an excess of \$20,185. The Title I special revenue fund had appropriations of \$311,791 in excess of estimated resources and available balances of \$284,116, for an excess of \$27,675.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

4. The School District did not budget for some of the activities of the Title VI-B Early Childhood Development special revenue fund administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to the School District are included in the special revenue fund for GAAP reporting purposes (GAAP basis).
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$10,860	\$51,296	\$1,666	(\$4,132,972)	(\$417)
Revenue Accruals	57,136	(10,153)	10,690	303,306	0
Expenditure Accruals	8,906	29,668	0	(752,695)	0
Nonbudgeted Funds	0	303	0	0	0
Unrecorded Cash	1,749	(1,675)	0	17,705	0
Prepaid Items	1,722	0	0	(18,744)	0
Advances	598	(598)	0	0	0
Encumbrances	(124,288)	(49,049)	0	(2,107,330)	0
Budget Basis	<u>(\$43,317)</u>	<u>\$19,792</u>	<u>\$12,356</u>	<u>(\$6,690,730)</u>	<u>(\$417)</u>

	Net Income (Loss)/Excess of Revenues Under Expenses and Transfers Enterprise Funds and Nonexpendable Trust Funds	
	Enterprise	Nonexpendable Trust
GAAP Basis	\$10,426	(\$24,218)
Revenue Accruals	2,385	0
Expense Accruals	(5,820)	10,950
Inventory of Supplies and Materials	116	0
Inventory Held for Resale	(344)	0
Donated Commodities	(984)	0
Unrecorded Cash	28	972
Depreciation	981	0
Encumbrances	(15,384)	(500)
Budget Basis	<u>(\$8,596)</u>	<u>(\$12,796)</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

At June 30, 2002, the School District had "Cash and Cash Equivalents with Fiscal Agents" in the special revenue funds of \$2,696. The money is held by the Darke County Educational Center, which is the fiscal agent of several other school districts and cannot be classified by risk under GASB Statement No. 3. The classification of cash and cash equivalents for the Darke County Educational Service Center as a whole can be obtained by writing Carolyn Gallimore at the Darke County Educational Service Center, 5279 Education Drive, Greenville, Ohio 45331.

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$1,946,755 and the bank balance was \$2,178,142. Of the bank balance:

1. \$200,689 was covered by federal depository insurance; and
2. \$1,977,453 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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 for which the securities 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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in STAR Ohio had a carrying and fair value of \$2,455,740 at June 30, 2002.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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 Nonexpendable 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 classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,405,191	\$0
Cash held with the Darke County Educational Service Center	(2,696)	0
Star Ohio	(2,455,740)	2,455,740
GASB Statement No. 3	\$1,946,755	\$2,455,740

6. PROPERTY TAXES

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

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

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES (Continued)

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 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$46,091,300	91.35%	\$46,148,690	91.60%
Public Utility Personal	2,581,750	5.12	2,379,230	4.72
Tangible Personal Property	1,782,650	3.53	1,853,550	3.68
Total	\$50,455,700	100.00%	\$50,381,470	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$35.59		 \$35.59	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, 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 was 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, 2002, was \$118,258. \$94,964 was available to the General Fund, \$2,351 was available to the Classroom Facilities Maintenance Special Revenue Fund, \$14,576 was available to the Bond Retirement Debt Service Fund, and \$6,367 was available to the Permanent Improvement Capital Projects fund.

7. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The first 0.50 percent tax was effective on January 1, 1990, while the second 0.50 percent tax was effective on January 1, 2000, and both are continuing taxes. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the General Fund during fiscal year 2002 was \$476,336.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts, intergovernmental, accrued interest and due from other funds. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Excess Costs	\$24,426
Special Revenue Funds:	
Vocational Matching	335
Title VI-B Grant	4,375
Title I Grant	31,534
Title VI Grant	2,736
Drug Free Grant	781
Title VI-B Early Childhood Development Grant	426
Title VI-R Grant	276
Total Special Revenue Funds	<u>40,463</u>
Total All Funds	<u>\$64,889</u>

9. FIXED ASSETS

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

Furniture and Equipment	\$18,474
Less: Accumulated Depreciation	<u>(14,408)</u>
Net Fixed Assets	<u>\$4,066</u>

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

	<u>Balance 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/02</u>
Land and Improvements	\$124,577	\$0	\$0	\$124,577
Buildings	3,063,182	0	66,701	2,996,481
Vehicles	527,780	0	0	527,780
Furniture and Equipment	1,058,914	228,743	237,393	1,050,264
Construction in Progress	4,521,779	10,406,471	0	14,928,250
Total General Fixed Assets	<u>\$9,296,232</u>	<u>\$10,635,214</u>	<u>\$304,094</u>	<u>\$19,627,352</u>

10. RISK MANAGEMENT

A. Property and Liability

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. For fiscal year 2002, the School District contracted with Mangas Insurance for property and fleet, general liability, boiler and machinery, crime, and inland marine insurance.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

10. RISK MANAGEMENT (Continued)

Insurance coverage provided is as follows:

Building and Contents-replacement cost (\$500 deductible)	\$12,343,548
Inland Marine Coverage (\$100 deductible)	174,372
Boiler and Machinery (\$500 deductible)	No limit
Crime Insurance	7,000
Automobile Liability (\$250 deductible)	500,000
Uninsured Motorists (\$0 deductible)	350,000
General Liability	
Per occurrence	500,000
Total per year	1,500,000

Settlement claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council 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 percent 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 18). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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 State Statute per 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, Columbus, Ohio 43215-3746.

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 rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$42,310, \$27,796, and \$19,777, respectively; 49.24 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$21,477 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$221,615, \$230,281, and \$126,221, respectively; 83.26 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$37,107 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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 the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$104,975 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the fiscal year-ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$83,070.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract 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 the number of annual work days per contract plus ninety, not to exceed 220 days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 55 days for certified employees and 15 to 40 days, depending upon length of service, for classified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified employees through the Community Life Insurance Company, and medical, surgical, dental, and vision insurance through Anthem Blue Cross Blue Shield to all employees through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (See Note 18).

C. Special Termination Benefit

The School District offers a special termination benefit to all certified employees who retire under the State Teachers Retirement System. The benefit is \$7,200 payable in three yearly installments of \$2,400 each year. To be eligible for the benefit, the employee must notify the Board by May 1 of the year that they will retire, retire within 90 days of May 1, have proof from the State Teachers Retirement System of retirement, and must have worked as a certified employee for a minimum of ten years at the School District. The amount payable at June 30, 2002 was \$36,000.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

14. LONG-TERM OBLIGATIONS

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

	<u>Amount Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/02</u>
Energy Conservation Loan, 1993 5.10%	\$117,824	0	\$45,600	\$72,224
Classroom Facilities Bonds, 2000 6.45% - Average	1,872,264	8,204	60,000	1,820,468
Intergovernmental	35,739	38,023	35,739	38,023
Compensated Absences	263,880	0	5,980	257,900
Special Termination Benefit	36,000	0	7,200	28,800
Total General Long-Term Obligations	<u>\$2,325,707</u>	<u>\$46,227</u>	<u>\$154,519</u>	<u>\$2,217,415</u>

Energy Conservation Loan - On July 1, 1993, Mississinawa Valley Local School District received a loan in the amount of \$380,048. The loan was for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. It was issued for a ten year period with final maturity during fiscal year 2004, and will be retired from the general fund.

Classroom Facilities General Obligation Bonds – On July 1, 2000 the School District issued bonds in the amount of \$1,969,998 to construct classroom facilities. Of these bonds, \$930,000 are serial bonds, with maturity dates of December 1, 2000 to December 1, 2011. \$990,000 are term bonds with a maturity date of December 1, 2022. \$49,998 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2012, 2013, and 2014. The maturity amount is \$100,000 for each year. The capital appreciation bonds were accreted \$8,204 in fiscal year 2002, and \$7,266 in fiscal years prior to 2002.

The intergovernmental payable which represents the contractually required pension obligation paid outside of the available period, compensated absences, and the special termination benefit will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$2,825,093, the energy conservation debt margin was \$381,209 and the unvoted debt margin was \$50,381 at June 30, 2002.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the classroom facilities general obligation bonds and the energy conservation loan are as follows:

Fiscal year Ending June 30,	Classroom Facilities General Obligation Bonds					
	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$60,000	\$95,015	\$0	\$0	\$0	\$0
2004	65,000	91,890	0	0	0	0
2005	65,000	88,640	0	0	0	0
2006	70,000	85,248	0	0	0	0
2007	75,000	81,567	0	0	0	0
2008-2012	430,000	344,125	100,000	0	0	0
2013-2017	0	0	200,000	0	205,000	522,983
2018-2022	0	0	0	0	635,000	138,143
2023	0	0	0	0	150,000	4,312
Total	\$765,000	\$786,485	\$300,000	\$0	\$990,000	\$665,438

Energy Conservation Loan			
Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$47,955	\$3,082	\$51,037
2004	24,269	621	24,890
Total	\$72,224	\$3,703	\$75,927

15. INTERFUND ACTIVITY

The general fund, uniform school supplies enterprise fund, and district managed student activity special revenue fund have due from other funds in the amounts of \$198, \$2,977, and \$150, respectively. The career development and DPIA special revenue funds, and the student managed activity agency fund have due to other funds in the amounts of \$198, \$2,977, and \$150, respectively.

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$124,211	\$29,030	\$153,241
Depreciation	981	0	981
Operating Income (Loss)	(116,955)	2,154	(114,801)
Federal and State Subsidies	105,823	0	105,823
Federal Donated Commodities	17,684	0	17,684
Interest	335	0	335
Net Income	8,272	2,154	10,426
Net Working Capital	50,854	22,828	73,682
Total Assets	87,272	22,828	110,100
Compensated Absences Payable	9,363	0	9,363
Total Equity	45,557	22,828	68,385
Encumbrances Outstanding at June 30, 2002	15,384	0	15,384

17. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA were made from the general fund in the amount of \$22,194 during fiscal year 2002. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2002, the School District paid \$5,996 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2002, the School District paid \$56,305 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

18. INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

19. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

19. SET-ASIDE CALCULATIONS (Continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2001	\$117,176	(\$1,968,805)	\$15,614
Current Year Set-aside Requirement	87,925	87,925	0
Current Year Offsets	0	(85,513)	0
Qualifying Disbursements	(81,459)	(13,573)	0
Totals	<u>\$123,642</u>	<u>(\$1,979,966)</u>	<u>\$15,614</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$123,642</u>	<u>(\$1,966,393)</u>	<u>\$15,614</u>
Set-aside Reserve Balances as of June 30, 2002	<u>\$123,642</u>	<u>\$0</u>	<u>\$15,614</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for capital acquisition set-aside. The offsets can be carried forward to reduce the set-aside requirement in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$139,256.

20. CONTINGENCIES

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

21. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Remaining On Contract</u>
Cincinnati Dayton Fire	Classroom Facilities Project	\$142,962	\$124,927	\$18,035
CTL Engineering	Classroom Facilities Project	30,000	8,152	21,848
Peterson Construction Co.	Classroom Facilities Project	5,381,500	5,286,933	94,567
Slagle Mechanical Contractor	Classroom Facilities Project	1,927,870	1,903,079	24,791
American Interiors, Inc.	Classroom Facilities Project	137,771	0	137,771
Virco, Inc.	Classroom Facilities Project	204,825	0	204,825
Toshiba	Classroom Facilities Project	50,000	0	50,000
Wray's Enterprises, Inc.	Classroom Facilities Project	10,000	3,545	6,455
J-Tec Communications, Inc.	Classroom Facilities Project	540,003	97,571	442,432
Fanning/Howey Associates	Classroom Facilities Project	272,484	82,377	190,107
Custom Millwork	Classroom Facilities Project	576,068	550,540	25,528
Area Energy and Electric	Classroom Facilities Project	1,006,880	988,961	17,919
Mack Industries, Inc.	Wastewater Treatment Plant	150,576	140,929	9,647
Totals		<u>\$10,430,939</u>	<u>\$9,187,014</u>	<u>\$1,243,925</u>

22. STATE SCHOOL FUNDING 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 decision 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.

23. RESTATEMENT OF FUND BALANCE

Restatements of beginning balances were necessary for the reclassification of the classroom facilities maintenance fund from a capital projects fund to a special revenue fund and the reclassification of the Martha Harrison fund from an expendable trust fund to an agency fund.

The following table summarizes the changes to fund balances:

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Fund balance as previously reported	\$178,106	\$5,778,805	\$1,436
Reclassification of classroom facilities fund	41,025	(41,025)	0
Reclassification of Martha Harrison fund	0	0	(1,019)
Fund balance at June 30, 2001	\$219,131	\$5,737,780	\$417

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor Pass through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture (Passed through Ohio Department of Education)						
<i>Nutrition Cluster:</i>						
School Breakfast Program	46672-05-PU-01/02	10.553	\$10,911		\$10,911	
National School Lunch Program	46672-04-PU-01/02	10.555	88,388		88,388	
Food Distribution / Commodities	N/A	10.550		16,712		16,795
Total U.S. Department of Agriculture			<u>99,299</u>	<u>16,712</u>	<u>99,299</u>	<u>16,795</u>
U.S. Department of Education (Passed through Ohio Department of Education)						
Title I - Grants to Local Educational Agencies	46672-C1-S1-01 46672-C1-S1-01C 46672-C1-S1-02	84.010	26,098 30,120 192,531		61,641 30,120 140,877	
Total Title 1			<u>248,749</u>		<u>232,638</u>	
(Passed through Darke County Educational Service Center)						
Drug Free Schools Grant	46672-DR-S1-01 46672-DR-S1-02 NA	84.186	1,050 2,144		1,405 982 572	
Total Drug Free Schools Grant			<u>3,194</u>		<u>2,959</u>	
(Passed through Ohio Department of Education)						
Goals 2000 - State and Local Educ. Systematic Improvement	46672-G2-S2-99 46672-G2-S2-01	84.276			291 9,184	
Total Goals 2000 Grant					<u>9,475</u>	
Eisenhower Math and Science	46672-MS-S1-02	84.281	6,018		6,018	
Innovative Education Program Strategies - Title VI	46672-C2-S1-01 46672-C2-S1-02	84.298	1,291 1,118		906 779	
Total Title VI			<u>2,409</u>		<u>1,685</u>	
Technology Literacy Challenge Fund	46672-TF-51-01 46672-TF-52-01 46672-TF-53-01	84.318	100,000 75,000 25,000		100,000 75,000	
Total Technology Literacy Challenge Fund			<u>200,000</u>		<u>175,000</u>	
Class Size Reduction	46672-CR-S1-01 46672-CR-S1-02	84.340	803 37,059		1,053 30,868	
Total Class Size Reduction			<u>37,862</u>		<u>31,921</u>	
Total U.S. Department of Education			<u>498,232</u>		<u>459,696</u>	
Total Federal Assistance			<u>\$597,531</u>	<u>\$16,712</u>	<u>\$558,995</u>	<u>\$16,795</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FISCAL YEAR ENDED JUNE 30, 2002

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants and local revenues. It is assumed federal monies were expended first. At June 30, 2002, the District did not have any significant donated food commodities in inventory.

NOTE C--MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mississinawa Valley Local School District
Darke County
1469 State Route 47
Union City, Ohio 45390

To the Board of Education:

We have audited the financial statements of Mississinawa Valley Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated January 21, 2003. 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 Mississinawa Valley Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 21, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mississinawa Valley Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 21, 2003.

Mississinawa Valley Local School District
Darke County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty D. Montgomery
Auditor of State

January 21, 2003



**Auditor of State
Betty Montgomery**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mississinawa Valley Local School District
Darke County
1469 State Route 47
Union City, Ohio 45390

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002. We noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 21, 2003.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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



Betty D. Montgomery
Auditor of State

January 21, 2003

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance 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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT

DARKE 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 13, 2003**