

Minford Local School District

Scioto County

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Minford Local School District, Scioto County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 13, 2005

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Minford Local School District
 Table of Contents
 For the Fiscal Year Ended June 30, 2004

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Funds Balances To Net Assets of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund	15
Statement of Fiduciary Assets and Liabilities	16
Notes to the Basic Financial Statements	17-38
Schedule of Federal Awards Expenditures	39
Notes to Schedule of Federal Awards Expenditures	40
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	41
Report on Compliance With Requirement Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	42-43
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505.....	44

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minford Local School District (the School District), Scioto County, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2004, and the respective changes in financial position, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2004 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 27, 2004

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Minford Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$630,627.
- General revenues accounted for \$9,416,969 in revenue or 69% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$4,235,487 or 31% of total revenues of \$13,652,456.
- The School District had \$14,283,083 in expenses related to governmental activities; only \$4,235,487 of these expenses were offset by program specific charges for services, grants, and contributions.
- The School District has two major funds; the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$11,486,625 in revenues and \$11,621,274 in expenditures. The General Fund's balance decreased \$40,590. The Bond Retirement Debt Service Fund had \$242,678 in revenues and \$171,285 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$71,993.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003*
Assets		
Current and Other Assets	\$4,476,383	\$6,325,933
Capital Assets	33,201,271	32,157,316
Total Assets	<u>37,677,654</u>	<u>38,483,249</u>
Liabilities		
Long-term Liabilities	3,004,822	2,656,483
Other Liabilities	2,684,046	3,207,353
Total Liabilities	<u>5,688,868</u>	<u>5,863,836</u>
Net Assets		
Invested in Capital Assets, Net of Debt	31,145,356	30,228,662
Restricted	1,020,150	802,772
Unrestricted	(176,720)	1,587,979
Total Net Assets	<u>\$31,988,786</u>	<u>\$32,619,413</u>

Total net assets of the District as a whole decreased \$630,627.

*Restated – See Note 3.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2004 and June 30, 2003.

	Governmental	
	Activities	
	2004	2003*
Revenues		
Program Revenues		
Charges for Services and Sales	\$1,646,193	\$902,970
Operating Grants and Contributions	2,550,519	2,332,193
Capital Grants and Contributions	38,775	0
Total Program Revenues	4,235,487	3,235,163
General Revenues		
Property Taxes	1,546,916	1,246,143
Grants and Entitlements	7,521,738	6,066,706
Investment Earnings	31,480	87,127
Gifts and Donations	239,447	0
Miscellaneous	77,388	76,768
Total General Revenues	9,416,969	7,476,744
Total Revenues	13,652,456	10,711,907
Program Expenses		
Instruction:		
Regular	5,813,588	7,202,432
Special	990,212	1,196,005
Vocational	240,220	335,382
Other	953,840	308,269
Support Services:		
Pupil	424,253	446,534
Instructional Staff	732,368	794,159
Board of Education	58,155	60,226
Administration	1,397,450	1,442,795
Fiscal	262,286	278,296
Operation and Maintenance of Plant	1,893,716	1,602,709
Pupil Transportation	849,179	1,104,704
Central	2,890	4,296
Operation of Non-Instructional Services	210,952	289,594
Extracurricular Activities	357,138	351,336
Interest and Fiscal Charges	96,836	129,912
Total Expenses	14,283,083	15,546,649
Decrease in Net Assets	(630,627)	(4,834,742)
Net Assets, Beginning of Year	32,619,413	37,454,155
Net Assets, End of Year	\$ 31,988,786	\$ 32,619,413

*Restated – see Note 3.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2004	2004
Program Expenses		
Instruction:		
Regular	\$5,813,588	(\$4,663,822)
Special	990,212	(102,946)
Vocational	240,220	(211,582)
Other	953,840	(839,654)
Support Services:		
Pupil	424,253	(315,211)
Instructional Staff	732,368	(479,436)
Board of Education	58,155	(51,107)
Administration	1,397,450	(1,232,515)
Fiscal	262,286	(227,318)
Operation and Maintenance of Plant	1,893,716	(1,591,316)
Pupil Transportation	849,179	(240,516)
Central	2,890	(2,890)
Operation of Non-Instructional Services	210,952	293,390
Extracurricular Activities	357,138	(314,847)
Interest and Fiscal Charges	96,836	(67,826)
Total	<u>\$14,283,083</u>	<u>(\$10,047,596)</u>

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,644,894 and expenditures of \$15,132,961. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis actual revenue and other sources was \$11,435,850, above original estimates of \$10,565,804. For the General Fund, budget basis actual expenditures and other sources were \$12,083,164, above original estimates of \$10,448,903. Of this \$1,634,261 difference, most was due to the final construction costs being higher than originally had been anticipated.

The School District's ending unobligated General Fund balance was \$906,841.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the School District had \$33,201,271 invested in land, land improvements, buildings, furniture and equipment, vehicles, and construction in progress. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2004	2003
Land and Land Improvements	\$1,293,448	\$791,093
Construction in Progress	16,394,197	15,675,990
Buildings and Improvements	12,209,761	13,171,780
Furniture and Equipment	2,958,999	2,198,310
Vehicles	344,866	320,143
Totals	\$33,201,271	\$32,157,316

Changes in capital assets from the prior year resulted from additions, disposals, depreciation and a manual inventory count by the School District of their capital assets .

Minford Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Debt

At June 30, 2004, the School District had general obligation bonds outstanding of \$1,850,000. The bonds were issued for school construction. For additional information on debt, see Note 14 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

MINFORD LOCAL SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,609,470
Accounts Receivable	23,518
Intergovernmental Receivable	190,293
Property Taxes Receivable	1,653,102
<i>Total Current Assets</i>	4,476,383
 <i>Noncurrent Assets:</i>	
Nondepreciable Capital Assets	17,068,800
Depreciable Capital Assets, Net	16,132,471
<i>Total Noncurrent Assets</i>	33,201,271
 <i>Total Assets</i>	\$37,677,654
 Liabilities	
<i>Current Liabilities:</i>	
Accrued Wages and Benefits Payable	\$900,763
Accrued Interest Payable	7,761
Deferred Revenue	1,421,231
Intergovernmental Payable	354,291
<i>Total Current Liabilities</i>	2,684,046
 <i>Noncurrent Liabilities</i>	
Due within one year	191,236
Due in more than one year	2,813,586
<i>Total Noncurrent Liabilities</i>	3,004,822
 <i>Total Liabilities</i>	5,688,868
 Net Assets	
Invested in Capital Assets, Net of Related Debt	31,145,356
Restricted for:	
Capital Projects	458,896
Debt Service	424,322
Other Purposes	136,932
Unrestricted/(Deficit)	(176,720)
<i>Total Net Assets</i>	\$31,988,786

See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes In Net Assets Governmental Activities
Governmental Activities:					
Instruction:					
Regular	5,813,588	658,092	490,162	1,512	(4,663,822)
Special	990,212	118,294	768,972	-	(102,946)
Vocational	240,220	27,020	1,618	-	(211,582)
Other	953,840	114,186	-	-	(839,654)
Support Services:					
Pupils	424,253	50,805	58,237	-	(315,211)
Instructional Staff	732,368	81,456	171,476	-	(479,436)
Board of Education	58,155	7,048	-	-	(51,107)
Administration	1,397,450	164,935	-	-	(1,232,515)
Fiscal	262,286	30,077	4,891	-	(227,318)
Operation and Maintenance of Plant	1,893,716	182,634	82,503	37,263	(1,591,316)
Pupil Transportation	849,179	105,027	503,636	-	(240,516)
Central	2,890	-	-	-	(2,890)
Operation of Non-Instructional Services	210,952	64,328	440,014	-	293,390
Extracurricular Activities	357,138	42,291	-	-	(314,847)
Interest & Fiscal Charges	96,836	-	29,010	-	(67,826)
<i>Total Governmental Activities</i>	<u>14,283,083</u>	<u>1,646,193</u>	<u>2,550,519</u>	<u>38,775</u>	<u>(10,047,596)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	1,308,846
Debt Service	210,878
Classroom Facilities Maintenance	27,192
Grants and Entitlements not Restricted to Specific Programs	7,521,738
Gifts and Donations	239,447
Investment Earnings	31,480
Miscellaneous	77,388

Total General Revenues

9,416,969

Change in Net Assets

(630,627)

Net Assets Beginning of Year - As Restated, See Note 3

32,619,413

Net Assets End of Year

31,988,786

See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2004

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,426,600	\$407,410	\$775,460	\$2,609,470
Accounts Receivable	23,518	0	0	23,518
Intergovernmental Receivable	0	0	190,293	190,293
Taxes Receivable	1,394,726	231,299	27,077	1,653,102
<i>Total Assets</i>	<u>2,844,844</u>	<u>638,709</u>	<u>992,830</u>	<u>4,476,383</u>
LIABILITIES:				
<i>Current Liabilities:</i>				
Accrued Wages and Benefits	741,785	0	158,978	900,763
Intergovernmental Payable	140,673	0	28,285	168,958
Deferred Revenue	1,294,673	214,737	96,274	1,605,684
<i>Total Liabilities</i>	2,177,131	214,737	283,537	2,675,405
FUND BALANCES:				
<i>Reserved:</i>				
Reserved for Encumbrances	519,749	0	367,083	886,832
Reserved for Property Taxes	100,053	16,562	2,154	118,769
<i>Unreserved, Undesignated, Reported in:</i>				
General Fund	47,911	0	0	47,911
Special Revenue Funds	0	0	217,240	217,240
Capital Projects Funds	0	0	122,816	122,816
Debt Service Funds	0	407,410	0	407,410
<i>Total Fund Balances</i>	<u>667,713</u>	<u>423,972</u>	<u>709,293</u>	<u>1,800,978</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,844,844</u>	<u>\$638,709</u>	<u>\$992,830</u>	<u>\$4,476,383</u>

See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances \$ 1,800,978

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 33,201,271

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	113,102	
Intergovernmental	71,351	

Total		184,453
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Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds (185,333)

Interest payable is not recorded in the governmental funds, but is recorded in the statement of net assets (7,761)

Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(956,668)	
Capital Lease Obligations	(198,154)	
General Obligation Bonds	(1,850,000)	

Total		(3,004,822)
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Net Assets of Governmental Activities \$ 31,988,786

See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$1,315,182	\$212,012	\$27,332	\$1,554,526
Intergovernmental	8,423,893	30,666	1,641,302	10,095,861
Interest	21,968	0	9,512	31,480
Tuition and Fees	1,274,381	0	0	1,274,381
Extracurricular Activities	135,316	0	0	135,316
Gifts and Donations	238,497	0	950	239,447
Customer Sales and Services	0	0	236,495	236,495
Miscellaneous	77,388	0	0	77,388
<i>Total Revenues</i>	<u>11,486,625</u>	<u>242,678</u>	<u>1,915,591</u>	<u>13,644,894</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,877,200	0	636,683	5,513,883
Special	544,122	0	443,867	987,989
Vocational	232,329	0	985	233,314
Other	953,840	0	0	953,840
Support Services:				
Pupils	354,183	0	53,234	407,417
Instructional Staff	464,529	0	199,308	663,837
Board of Education	58,132	0	0	58,132
Administration	1,306,047	0	0	1,306,047
Fiscal	230,587	5,467	3,733	239,787
Operation and Maintenance of Plant	1,086,773	0	100,109	1,186,882
Pupil Transportation	833,236	0	6,585	839,821
Central	2,890	0	0	2,890
Operation of Non-Instructional Services	1,978	0	514,716	516,694
Extracurricular Activities	345,334	0	0	345,334
Capital Outlay	304,397	0	1,381,182	1,685,579
Debt Service:				
Principal	23,786	70,600	0	94,386
Interest	1,911	95,218	0	97,129
<i>Total Expenditures</i>	<u>11,621,274</u>	<u>171,285</u>	<u>3,340,402</u>	<u>15,132,961</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(134,649)</u>	<u>71,393</u>	<u>(1,424,811)</u>	<u>(1,488,067)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	0	600	239,535	240,135
Proceeds from Sale of Fixed Assets	12,254	0	0	12,254
Inception of Capital Lease	221,940	0	0	221,940
Transfers Out	(240,135)	0	0	(240,135)
<i>Total Other Financing Sources and Uses</i>	<u>(5,941)</u>	<u>600</u>	<u>239,535</u>	<u>234,194</u>
<i>Net Change in Fund Balances</i>	<u>(140,590)</u>	<u>71,993</u>	<u>(1,185,276)</u>	<u>(1,253,873)</u>
<i>Fund Balances at Beginning of Year</i>	<u>808,303</u>	<u>351,979</u>	<u>1,894,569</u>	<u>3,054,851</u>
<i>Fund Balances at End of Year</i>	<u>\$667,713</u>	<u>\$423,972</u>	<u>\$709,293</u>	<u>\$1,800,978</u>

See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ (1,253,873)

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

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

Capital Asset Additions	2,560,906	
Current Year Depreciation	(856,996)	
Total		1,703,910

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

Proceeds from Sale of Capital Assets	(12,254)	
Loss on Disposal of Capital Assets	(647,701)	
Total		(659,955)

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

Taxes	(7,609)	
Intergovernmental	15,171	
Total		7,562

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

70,600

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

23,786

New Capital lease obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(221,940)

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

Increase in Compensated Absences	(220,785)	
Decrease in Interest Payable	293	
Increase in Intergovernmental Payable	(80,225)	

Total		(300,717)
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Net Change in Net Assets of Governmental Activities		\$ (630,627)
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See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$10,565,804	\$11,450,569	\$11,435,850	(\$14,719)
Total Expenditures and Other Uses	<u>10,448,903</u>	<u>11,719,281</u>	<u>12,083,164</u>	<u>(363,883)</u>
Net Change in Fund Balance	116,901	(268,712)	(647,314)	(378,602)
Fund Balance, July 1	1,175,553	1,175,553	1,175,553	0
Prior Year Encumbrances Appropriated	<u>378,602</u>	<u>378,602</u>	<u>378,602</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$1,671,056</u></u>	<u><u>\$1,285,443</u></u>	<u><u>\$906,841</u></u>	<u><u>(\$378,602)</u></u>

See accompanying notes to the basic financial statements.

MINFORD LOCAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$25,683</u>
Liabilities	
Undistributed Monies	<u>25,683</u>
Total Liabilities	<u>\$25,683</u>

See accompanying notes to the basic financial statements.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1924 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 98 square miles. It is located in Scioto County, and includes the Village of Minford and the Townships of Madison and Harrison. It is staffed by 52 non-certificated employees, 114 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,645 students and other community members. The School District currently operates 2 instructional buildings.

Reporting Entity:

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

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

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

- * Boosters Clubs
- * Parent - Teacher Organizations

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Scioto County Joint Vocational School, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Scioto County Regional Council of Governments. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting

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

Government-wide Financial Statements:

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

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

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Retirement Fund

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

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

Fiduciary Funds

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

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

Measurement Focus

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, (3) the costs related to the workers compensation retrospective rating program are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period the costs are incurred. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

Encumbrances

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

D. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$21,968 and \$9,512 for the other non-major governmental funds.

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

At fiscal year ended June 30, 2004, the School District had no investments.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

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

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 years
Building and Improvements	20-25 years
Furniture and Equipment	10-15 years
Vehicles	10-15 years
Textbooks	5-7 years

F. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future.

The accrual amount is based upon accumulated sick leave and accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

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

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accrued Liabilities and Long-Term Obligations

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

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

H. Fund Balance Reserves

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

I. Estimates

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

J. Net Assets

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

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

K. Interfund Transactions

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Change in Accounting Principles and Restatement of Net Assets

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units.” GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government. At June 30, 2004, the District does not have any organizations that qualify as a component unit of the primary government. Therefore, there was no effect on fund balance as a result of implementing GASB Statement No. 39.

Restatements: Restatements were made to capital asset balances as previously reported due to the School District performing a manual inventory of its capital assets. Also, receivable was reduced for classroom facilities as the School District will no longer be receiving these monies due to near completion of their classroom facilities projects.

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

Net Assets, June 30, 2003	\$37,171,760
Receivable Restatement	(1,107,300)
Revaluation of Capital Assets	<u>(3,445,047)</u>
Restated Net Assets, June 30, 2003	<u><u>\$32,619,413</u></u>

NOTE 4 – ACCOUNTABILITY

A. Accountability – Fund Equity Deficits

At June 30, 2004, the Food Service, the Technology Equity, and the Technology – Title II-D Special Revenue Funds had fund balance deficits of \$18,358, \$157 and \$2,272, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$140,590)
Revenue Accruals	(284,969)
Expenditure Accruals	297,994
Encumbrances	(519,749)
Budget Basis	(\$647,314)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$2,635,153 and the bank balance was \$2,644,694. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,544,694 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and 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.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GA SB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined to include investments included within the School District's cash management pool and investments with a maturity date of three months or less.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$58,344,890	89.24%	\$59,588,130	88.91%
Public Utility	6,063,120	9.27%	6,448,570	9.62%
Tangible Personal Property	973,770	1.49%	982,012	1.47%
Total Assessed Value	<u>\$65,381,780</u>	<u>100.00%</u>	<u>\$67,018,712</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.58		\$29.21	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 7 – PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2004, was \$100,053 in the General Fund, \$2,154 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund, and \$16,562 in the Bond Retirement Debt Service Fund, and is presented as Reserved for Property Taxes on the Balance Sheet.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, tuition and fees, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Non-Major Special Revenue Funds:	
Food Services Fund	\$25,060
Title VI-B	38,487
Drug Free Grant	8,296
Title II-D Technology Grant	12,269
Learn and Serve Goals 2000 Grant	15,758
Title I	<u>90,423</u>
Total Non-Major Special Revenue Funds	190,293
 Total All Funds	 <u><u>\$190,293</u></u>

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	<u>*Ending Balance 6/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/04</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$674,603	\$0	\$0	\$674,603
Construction in Progress	<u>15,675,990</u>	<u>732,198</u>	<u>(13,991)</u>	<u>16,394,197</u>
Total Capital Assets, Not Being Depreciated	<u>16,350,593</u>	<u>732,198</u>	<u>(13,991)</u>	<u>17,068,800</u>
Capital Assets Being Depreciated				
Land Improvements	149,242	585,160	0	734,402
Buildings and Improvements	16,677,298	56,114	(1,451,563)	15,281,849
Furniture and Equipment	3,924,306	1,123,794	(592,814)	4,455,286
Vehicles	1,197,833	77,631	0	1,275,464
Textbooks	984,476	0	(8,229)	976,247
Total Capital Assets, Being Depreciated	<u>22,933,155</u>	<u>1,842,699</u>	<u>(2,052,606)</u>	<u>22,723,248</u>
Less Accumulated Depreciation:				
Land Improvements	(32,752)	(82,805)	0	(115,557)
Building and Improvements	(3,505,518)	(402,286)	835,716	(3,072,088)
Furniture and Equipment	(1,725,996)	(318,997)	548,706	(1,496,287)
Vehicles	(877,690)	(52,908)	0	(930,598)
Textbooks	(984,476)	0	8,229	(976,247)
Total Accumulated Depreciation	<u>(7,126,432)</u>	<u>** (856,996)</u>	<u>1,392,651</u>	<u>(6,590,777)</u>
Total Capital Assets Being Depreciated, Net	<u>15,806,723</u>	<u>985,703</u>	<u>(659,955)</u>	<u>16,132,471</u>
Governmental Activities Capital Assets, Net	<u><u>\$32,157,316</u></u>	<u><u>\$1,717,901</u></u>	<u><u>(\$673,946)</u></u>	<u><u>\$33,201,271</u></u>

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - CAPITAL ASSETS (continued)

*Restated – See Note 3.

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

Instruction:	
Regular	\$684,105
Special	5,861
Vocational	10,282
Support Services:	
Pupil	2,477
Instructional Staff	19,608
Administration	9,729
Fiscal	1,445
Operation and Maintenance of Plant	7,780
Pupil Transportation	52,870
Non-Instructional Services	54,083
Extracurricular Activities	8,756
Total Depreciation Expense	\$856,996

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Utica National Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Utica National Insurance are as follows:

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

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

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - RISK MANAGEMENT (continued)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$129,458, \$96,733, and \$44,357, respectively; 31 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$89,250 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefits (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10 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, 2004, 2003, and 2002, were \$966,865, \$876,535, and \$481,274, respectively; 87 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$125,440 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, and after, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$67,972 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, employer contributions to fund health care benefits were 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$196,985.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of the annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits was \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Financial.

C. Deferred Compensation

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

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School Districts long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Due in One Year
1998 School Facilities Construction and Improvement Bonds – 5.09%	\$1,920,000	\$0	\$70,000	\$1,850,000	\$75,000
1991 EPA Asbestos Loan – 0%	600	0	600	0	0
Capital Lease	0	221,940	23,786	198,154	72,649
Compensated Absences	<u>735,883</u>	<u>220,785</u>	<u>0</u>	<u>956,668</u>	<u>43,587</u>
Total General Long-Term Obligations	<u>\$2,656,483</u>	<u>\$442,725</u>	<u>\$94,386</u>	<u>\$3,004,822</u>	<u>\$191,236</u>

School Facilities Construction and Improvement Bonds - On July 16, 1998, Minford Local School District issued bonds in the amount of \$2,195,000 as a result of the School District being approved for a \$32,378,011 school facilities loan through the State Department of Education for the construction of a new high school, middle school, and for additions and renovations to the current primary school. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.15 mill levy. The 4.15 mill levy, of which, .5 mill was to be used for the retirement of the loan, with the balance of 3.65 mills is to be used for the retirement of the 1998 bond issue, will be in effect for the twenty-three years. The bonds were issued for a 23-year period with final maturity during fiscal year 2021. The bonds will be retired from the debt service fund.

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Minford Local School District has been notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$32,378,011 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 600 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the statewide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. As of June 30, 2004, the School District had received a total of \$32,378,011 under this program.

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

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

The School District's overall legal debt margin was \$4,181,684 with an unvoted debt margin of \$67,019 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2005	75,000	92,118	167,118
2006	75,000	88,855	163,855
2007	80,000	85,425	165,425
2008	80,000	81,845	161,845
2009	85,000	78,111	163,111
2010-2014	500,000	319,810	819,810
Thereafter	<u>955,000</u>	<u>178,217</u>	<u>1,133,217</u>
Total	<u>\$1,850,000</u>	<u>\$924,381</u>	<u>\$2,774,381</u>

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Capital Lease Obligations

On February 13, 2004, the School District entered into a lease purchase agreement with the U.S. Bank National Association as part of the National School Fitness Program for various types of fitness equipment. The amount of the agreement is \$221,940 with an annual interest rate of 2.69%. Monthly payments in the amount of \$6,424.01 are due on the 13th day of each month beginning March 13, 2004 and continuing for thirty-six (36) months with the final payment due on February 13, 2007. This lease was entered into under the assumption that the lease payments would be reimbursed by the National School Fitness Foundation. During 2004, the School District received reimbursement for one payment plus interest in the amount of \$6,921.53.

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

For the leased assets related to the Governmental Funds, capital assets acquired by the lease have been capitalized in the Government-Wide Financial Statements in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the Government-Wide Financial Statements. The School District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2004 are as follows:

Fiscal Year	Governmental Activities Capital Lease
2005	\$77,088
2006	77,088
2007	<u>51,392</u>
Total minimum lease payments	\$205,568
Less: amount representing interest	<u>7,414</u>
Present value of minimum lease payments	<u>\$198,154</u>

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 15 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2004, were as follows:

Fund:	Transfer From:	Transfer To:
Major Funds:		
General Fund	\$240,135	
Bond Retirement Fund		\$600
Special Revenue Funds, Non-Major:		
Title VI-B		\$1,648
Food Services		53,937
Learn and Serve/Goals 2000		8,950
Capital Projects Funds, Non-Major:		
Permanent Improvement Fund		175,000
	<u>\$240,135</u>	<u>\$240,135</u>

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

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2004, the School District had contractual purchase commitments for the completion of school improvements and construction as follows:

Vendor	Contract Amount	Amount Expended	Balance at 6/30/2004
Current Surfaces	\$54,739	\$0	\$54,739
Allard Excavating	521,939	431,448	90,491
Mechanical Construction	3,447,714	3,257,111	190,603
Total	\$4,024,392	\$3,688,559	\$335,833

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Scioto County Joint Vocational School - The Scioto County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the City and County Boards within Scioto County, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Joint Vocational School, Brett Butler, who serves as Treasurer, at 951 Vern Riffe Drive, Lucasville, Ohio 45648.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$360 to the Coalition for services provided during the year.

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

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

NOTE 18 - INSURANCE PURCHASING POOL

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

NOTE 19 - PUBLIC ENTITY SHARED RISK POOL

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2003	\$0	\$0	\$0
Current year set-aside requirement	230,874	230,874	461,748
Current year offsets & Pr. Yr. Carry Over	(349,482)	(30,223,116)	(30,572,598)
Qualifying disbursements	(253,605)	(1,978,293)	(2,231,898)
Set-aside Balance Carried Forward to Future Years	(372,213)	(31,970,535)	(32,342,748)
Set-aside Reserve Balance as of June 30, 2004	\$0	\$0	\$0

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

NOTE 21 - SCHOOL FUNDING COURT DECISION

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

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

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

Minford Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

NOTE 23 – SUBSEQUENT EVENTS

The capital lease agreement between the School District and the U.S. Bank National Association was made under the assumption that the National School Fitness Program would reimburse the School District for the full amount of the lease payments. The National School Fitness Program has not complied with their agreement. For fiscal year 2004, only one payment plus interest was reimbursed to the School District. This matter has been referred to the Scioto County Prosecuting Attorney for further investigation.

MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY, OHIO

Schedule of Federal Awards Expenditures
June 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster: Food Distribution Program	NA	10.550	\$0	\$57,389	\$0	\$57,389
School Breakfast Program	049627-05PU	10.553	42,397	0	42,397	0
National School Lunch Program	049627-LLP4	10.555	175,293	0	175,293	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			217,690	57,389	217,690	57,389
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	049627-C1S1	84.010	411,867	0	387,441	0
Special Education Grants to the States	049627-6BSF	84.027	177,611	0	183,419	0
Safe and Drug Free Schools and Communities: State Grants	049627-DRS1	84.186	7,949	0	7,386	0
Innovative Educational Program Strategies	049627-C2S1	84.298	13,392	0	12,260	0
Goals 2000 Subsidy	049627-G2SP	84.276	0	0	124	0
Improving Teacher Quality	049627-TRS1	84.367	126,130	0	123,475	0
Technology Literacy Challenge Fund Grants	049627-TJS1	84.318	11,116	0	8,881	0
Rural Education Achievement Program	049627-RUS1	84.358	17,616	0	25,147	0
Total U.S. Department of Education			765,681	0	748,133	0
U.S. DEPARTMENT OF HOMELAND SECURITY						
<i>Directly Awarded from U.S. Department of Homeland Security</i>						
Public Assistance Grant	NA	97.036	0	0	2,944	0
Total U.S. Department of Homeland Security			0	0	2,944	0
Total Federal Assistance:			<u>\$983,371</u>	<u>\$57,389</u>	<u>\$968,767</u>	<u>\$57,389</u>

NA = Pass Through Entity Number is Not Available

See Notes to the Schedule of Federal Award Expenditures.

Minford Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTIONS

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

BALESTRA, HARR & SCHERER, CPAs, Inc.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minford Local School District (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance over Other Matters

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 27, 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

Compliance

We have audited the compliance of Minford Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

Page 2

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

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

Balestra, Harr & Scherer, CPAs. Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 27, 2004

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

MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

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

MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2004

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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**MINFORD LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**