

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002***

CONNIE HANGE, TREASURER



**Auditor of State
Betty Montgomery**

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Black River Local School District

We have reviewed the Independent Auditor's Report of the Black River Local School District, Medina County, prepared by Trimble, Julian & Grube, Inc. for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 21, 2003

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

Independent Auditor’s Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types	5 - 6
Combined Statement of Revenues, Expenses, and Changes in (Accumulated Deficit)/ Fund Balance - Proprietary Fund Type and Nonexpendable Trust Fund	7
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund	8
Notes to the General Purpose Financial Statements	9 - 43
Supplemental Data	
Schedule of Expenditures of Federal Awards	44
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	45 - 46
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	47 - 48
Schedule of Findings <i>OMB Circular A-133 § .505</i>	49 - 51

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2002 on our consideration of the Black River Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
November 26, 2002

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 4,956,935	\$ 223,930	\$ 1,676,366	\$ 63,411
Equity in pooled cash and cash equivalents nonexpendable trust fund	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	3,454,324	-	572,630	-
Accounts.	74,110	2,332	-	-
Accrued interest	72	-	-	-
Interfund loan receivable	5,963	-	-	-
Due from other governments	2,375	216,561	-	-
Due from other funds	79,537	-	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	51,366	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents.	38,225	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 8,662,907	\$ 442,823	\$ 2,248,996	\$ 63,411
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 25,566	\$ 3,949	\$ -	\$ -
Accrued wages and benefits.	878,180	59,845	-	-
Compensated absences payable.	40,608	-	-	-
Pension obligation payable	130,121	7,904	-	-
Interfund loan payable	-	5,963	-	-
Deferred revenue	3,047,792	84,780	502,423	-
Due to other governments.	39,020	3,279	-	-
Due to students.	-	-	-	-
Due to other funds	-	79,537	-	-
Refunding bonds payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities.	4,161,287	245,257	502,423	-
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Accumulated deficit	-	-	-	-
Fund balances:				
Reserved for encumbrances	2,966,382	30,460	-	-
Reserved for prepayments	51,366	-	-	-
Reserved for debt service	-	-	1,676,366	-
Reserved for tax revenue unavailable for appropriation. . .	407,222	-	70,207	-
Reserved for BWC refunds	38,225	-	-	-
Reserved for principal endowment	-	-	-	-
Reserved for scholarships	-	-	-	-
Unreserved-undesignated	1,038,425	167,106	-	63,411
Total equity and other credits	4,501,620	197,566	1,746,573	63,411
Total liabilities, equity and other credits.	\$ 8,662,907	\$ 442,823	\$ 2,248,996	\$ 63,411

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

Proprietary Fund Type	Fudiciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 5,056	\$ 47,943	\$ -	\$ -	\$ 6,973,641
-	25,132	-	-	25,132
-	-	-	-	4,026,954
1,639	-	-	-	78,081
-	-	-	-	72
-	-	-	-	5,963
-	-	-	-	218,936
-	-	-	-	79,537
10,036	-	-	-	10,036
-	-	-	-	51,366
162,121	-	15,074,263	-	15,236,384
-	-	-	-	38,225
-	-	-	1,746,573	1,746,573
-	-	-	5,523,392	5,523,392
<u>\$ 178,852</u>	<u>\$ 73,075</u>	<u>\$ 15,074,263</u>	<u>\$ 7,269,965</u>	<u>\$ 34,014,292</u>
\$ 37	\$ -	\$ -	\$ -	\$ 29,552
25,902	-	-	-	963,927
-	-	-	481,037	521,645
10,445	-	-	83,092	231,562
-	-	-	-	5,963
4,570	-	-	-	3,639,565
908	-	-	-	43,207
-	44,940	-	-	44,940
-	-	-	-	79,537
-	-	-	4,682,209	4,682,209
-	-	-	2,023,627	2,023,627
<u>41,862</u>	<u>44,940</u>	<u>-</u>	<u>7,269,965</u>	<u>12,265,734</u>
-	-	15,074,263	-	15,074,263
169,500	-	-	-	169,500
(32,510)	-	-	-	(32,510)
-	-	-	-	2,996,842
-	-	-	-	51,366
-	-	-	-	1,676,366
-	-	-	-	477,429
-	-	-	-	38,225
-	22,327	-	-	22,327
-	2,805	-	-	2,805
-	3,003	-	-	1,271,945
<u>136,990</u>	<u>28,135</u>	<u>15,074,263</u>	<u>-</u>	<u>21,748,558</u>
<u>\$ 178,852</u>	<u>\$ 73,075</u>	<u>\$ 15,074,263</u>	<u>\$ 7,269,965</u>	<u>\$ 34,014,292</u>

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Types	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 3,281,627	\$ -	\$ 674,973	\$ -	\$ -	\$ 3,956,600
Tuition	182,512	1,190	-	-	-	183,702
Earnings on investments	188,160	-	33,045	-	11	221,216
Extracurricular	-	206,407	-	-	-	206,407
Other local revenues	256,237	16,351	-	-	2,333	274,921
Other revenues	-	46,853	-	-	-	46,853
Intergovernmental - State	6,327,548	31,824	54,746	54,200	-	6,468,318
Intergovernmental - Federal	-	685,230	-	-	-	685,230
Total revenues	<u>10,236,084</u>	<u>987,855</u>	<u>762,764</u>	<u>54,200</u>	<u>2,344</u>	<u>12,043,247</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,461,852	122,423	-	17,090	-	4,601,365
Special	813,277	450,218	-	-	-	1,263,495
Vocational	5,796	-	-	-	-	5,796
Support services:						
Pupil	322,362	83,254	-	-	-	405,616
Instructional staff	405,105	23,016	-	692	-	428,813
Board of Education	31,974	-	-	-	-	31,974
Administration	667,672	19,312	-	-	-	686,984
Fiscal	304,078	-	7,703	-	-	311,781
Business	3,452	-	-	-	-	3,452
Operations and maintenance	685,961	-	-	-	-	685,961
Pupil transportation	942,791	951	-	-	-	943,742
Central	10,498	-	-	-	-	10,498
Community services	9,192	-	-	-	700	9,892
Extracurricular activities	166,707	221,952	-	-	-	388,659
Facilities acquisition and construction	243,861	-	-	-	-	243,861
Debt service:						
Principal retirement	-	-	450,000	-	-	450,000
Interest and fiscal charges	-	-	254,055	-	-	254,055
Total expenditures	<u>9,074,578</u>	<u>921,126</u>	<u>711,758</u>	<u>17,782</u>	<u>700</u>	<u>10,725,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,161,506</u>	<u>66,729</u>	<u>51,006</u>	<u>36,418</u>	<u>1,644</u>	<u>1,317,303</u>
Other financing sources (uses):						
Operating transfers out	(5,847)	-	-	-	-	(5,847)
Proceeds from disposal of fixed assets	1,073	-	-	-	-	1,073
Total other financing sources (uses)	<u>(4,774)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,774)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>1,156,732</u>	<u>66,729</u>	<u>51,006</u>	<u>36,418</u>	<u>1,644</u>	<u>1,312,529</u>
Fund balances, July 1	<u>3,344,888</u>	<u>130,837</u>	<u>1,695,567</u>	<u>26,993</u>	<u>1,359</u>	<u>5,199,644</u>
Fund balances, June 30	<u>\$ 4,501,620</u>	<u>\$ 197,566</u>	<u>\$ 1,746,573</u>	<u>\$ 63,411</u>	<u>\$ 3,003</u>	<u>\$ 6,512,173</u>

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

This Page is Intentionally Left Blank.

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 3,286,381	\$ 3,273,097	\$ (13,284)	\$ -	\$ -	\$ -
Tuition	106,109	108,970	2,861	1,408	1,190	(218)
Earnings on investments	183,150	188,088	4,938	-	-	-
Extracurricular	-	-	-	244,064	206,262	(37,802)
Other local revenues	244,975	251,580	6,605	16,942	14,318	(2,624)
Other revenue	-	-	-	55,452	46,853	(8,599)
Intergovernmental - State	6,159,316	6,325,382	166,066	37,656	31,824	(5,832)
Intergovernmental - Federal	-	-	-	654,881	553,449	(101,432)
Total revenues	<u>9,979,931</u>	<u>10,147,117</u>	<u>167,186</u>	<u>1,010,403</u>	<u>853,896</u>	<u>(156,507)</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,618,074	4,379,571	238,503	129,426	121,648	7,778
Special	869,923	801,647	68,276	466,611	438,568	28,043
Vocational	16,829	12,323	4,506	-	-	-
Support services:						
Pupil	351,913	306,113	45,800	88,295	82,989	5,306
Instructional staff	417,688	388,316	29,372	30,305	28,484	1,821
Board of Education	33,540	32,490	1,050	-	-	-
Administration	671,140	659,055	12,085	20,256	19,039	1,217
Fiscal	294,750	299,445	(4,695)	-	-	-
Business	7,201	4,821	2,380	181	170	11
Operations and maintenance	753,924	712,121	41,803	-	-	-
Pupil transportation	1,016,345	961,421	54,924	1,005	945	60
Central	16,405	10,558	5,847	-	-	-
Community services	71,735	9,148	62,587	-	-	-
Extracurricular activities	186,675	166,021	20,654	263,149	247,335	15,814
Facilities acquisition and construction	2,988,948	3,195,310	(206,362)	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>12,315,090</u>	<u>11,938,360</u>	<u>376,730</u>	<u>999,228</u>	<u>939,178</u>	<u>60,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,335,159)</u>	<u>(1,791,243)</u>	<u>543,916</u>	<u>11,175</u>	<u>(85,282)</u>	<u>(96,457)</u>
Other financing sources (uses):						
Advances in	-	-	-	7,056	5,963	(1,093)
Advances out	(5,623)	(5,963)	(340)	-	-	-
Operating transfers out	(20,000)	(5,847)	14,153	-	-	-
Proceeds from disposal of fixed assets	2,796	2,870	74	-	-	-
Refund of prior year expenditures	7,602	7,807	205	-	-	-
Total other financing sources (uses)	<u>(15,225)</u>	<u>(1,133)</u>	<u>14,092</u>	<u>7,056</u>	<u>5,963</u>	<u>(1,093)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(2,350,384)</u>	<u>(1,792,376)</u>	<u>558,008</u>	<u>18,231</u>	<u>(79,319)</u>	<u>(97,550)</u>
Fund balances, July 1	3,470,666	3,470,666	-	166,419	166,419	-
Prior year encumbrances appropriated	374,406	374,406	-	28,904	28,904	-
Fund balances, June 30	<u>\$ 1,494,688</u>	<u>\$ 2,052,696</u>	<u>\$ 558,008</u>	<u>\$ 213,554</u>	<u>\$ 116,004</u>	<u>\$ (97,550)</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 789,969	\$ 735,223	\$ (54,746)	\$ -	\$ -	\$ -	\$ 4,076,350	\$ 4,008,320	\$ (68,030)
-	-	-	-	-	-	107,517	110,160	2,643
-	33,045	33,045	-	-	-	183,150	221,133	37,983
-	-	-	-	-	-	244,064	206,262	(37,802)
-	-	-	-	-	-	261,917	265,898	3,981
-	-	-	-	-	-	55,452	46,853	(8,599)
33,045	54,746	21,701	54,200	54,200	-	6,284,217	6,466,152	181,935
-	-	-	-	-	-	654,881	553,449	(101,432)
<u>823,014</u>	<u>823,014</u>	<u>-</u>	<u>54,200</u>	<u>54,200</u>	<u>-</u>	<u>11,867,548</u>	<u>11,878,227</u>	<u>10,679</u>
-	-	-	70,808	17,781	53,027	4,818,308	4,519,000	299,308
-	-	-	-	-	-	1,336,534	1,240,215	96,319
-	-	-	-	-	-	16,829	12,323	4,506
-	-	-	2,756	692	2,064	442,964	389,794	53,170
-	-	-	-	-	-	447,993	416,800	31,193
-	-	-	-	-	-	33,540	32,490	1,050
-	-	-	-	-	-	691,396	678,094	13,302
7,869	7,703	166	-	-	-	302,619	307,148	(4,529)
-	-	-	-	-	-	7,382	4,991	2,391
-	-	-	-	-	-	753,924	712,121	41,803
-	-	-	-	-	-	1,017,350	962,366	54,984
-	-	-	-	-	-	16,405	10,558	5,847
-	-	-	-	-	-	71,735	9,148	62,587
-	-	-	-	-	-	449,824	413,356	36,468
-	-	-	-	-	-	2,988,948	3,195,310	(206,362)
450,000	450,000	-	-	-	-	450,000	450,000	-
268,401	256,270	12,131	-	-	-	268,401	256,270	12,131
<u>726,270</u>	<u>713,973</u>	<u>12,297</u>	<u>73,564</u>	<u>18,473</u>	<u>55,091</u>	<u>14,114,152</u>	<u>13,609,984</u>	<u>504,168</u>
96,744	109,041	12,297	(19,364)	35,727	55,091	(2,246,604)	(1,731,757)	514,847
-	-	-	-	-	-	7,056	5,963	(1,093)
-	-	-	-	-	-	(5,623)	(5,963)	(340)
-	-	-	-	-	-	(20,000)	(5,847)	14,153
-	-	-	-	-	-	2,796	2,870	74
-	-	-	-	-	-	7,602	7,807	205
-	-	-	-	-	-	(8,169)	4,830	12,999
96,744	109,041	12,297	(19,364)	35,727	55,091	(2,254,773)	(1,726,927)	527,846
1,567,325	1,567,325	-	19,365	19,365	-	5,223,775	5,223,775	-
-	-	-	8,319	8,319	-	411,629	411,629	-
<u>\$ 1,664,069</u>	<u>\$ 1,676,366</u>	<u>\$ 12,297</u>	<u>\$ 8,320</u>	<u>\$ 63,411</u>	<u>\$ 55,091</u>	<u>\$ 3,380,631</u>	<u>\$ 3,908,477</u>	<u>\$ 527,846</u>

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN (ACCUMULATED DEFICIT)/FUND BALANCE -
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:			
Sales/charges for services	\$ 209,594	\$ -	\$ 209,594
Investment earnings	-	1,096	1,096
Other operating revenues.	4,158	-	4,158
 Total operating revenues	 213,752	 1,096	 214,848
 Operating expenses:			
Personal services	147,416	-	147,416
Contract services	4,130	-	4,130
Materials and supplies	209,067	-	209,067
Depreciation	10,101	-	10,101
Other	413	1,096	1,509
 Total operating expenses	 371,127	 1,096	 372,223
 Operating loss	 (157,375)	 -	 (157,375)
 Nonoperating revenues:			
Operating grants	119,082	-	119,082
Federal donated commodities.	28,644	-	28,644
Interest revenue.	19	-	19
 Total nonoperating revenues.	 147,745	 -	 147,745
 Net loss before operating transfers	 (9,630)	 -	 (9,630)
 Operating transfers in.	5,847	-	5,847
 Net loss	 (3,783)	 -	 (3,783)
 (Accumulated deficit)/fund balance, July 1.	 (28,727)	 25,132	 (3,595)
 (Accumulated deficit)/fund balance, June 30.	 \$ (32,510)	 \$ 25,132	 \$ (7,378)

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

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 209,539	\$ -	\$ 209,539
Cash received from other operations	2,589	-	2,589
Cash payments for personal services	(152,930)	-	(152,930)
Cash payments for contract services	(4,496)	-	(4,496)
Cash payments for materials and supplies.	(178,686)	-	(178,686)
Cash payments for other expenses	(413)	(1,096)	(1,509)
Net cash used in operating activities.	(124,397)	(1,096)	(125,493)
Cash flows from noncapital financing activities:			
Cash received from operating grants	119,082	-	119,082
Transfers in from other funds.	5,847	-	5,847
Net cash provided by noncapital financing activities	124,929	-	124,929
Cash flows from investing activities:			
Interest received	19	1,096	1,115
Net cash provided by investing activities	19	1,096	1,115
Net increase in cash and cash equivalents	551	-	551
Cash and cash equivalents at beginning of year	4,505	25,132	29,637
Cash and cash equivalents at end of year.	\$ 5,056	\$ 25,132	\$ 30,188
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss.	\$ (157,375)	\$ -	\$ (157,375)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	10,101	-	10,101
Federal donated commodities	28,644	-	28,644
Interest reported as operating income	-	(1,096)	(1,096)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	1,380	-	1,380
Increase in accounts receivable	(1,624)	-	(1,624)
Decrease in accounts payable	(366)	-	(366)
Increase in accrued wages and benefits	4,407	-	4,407
Increase in due to other governments	908	-	908
Decrease in compensated absences payable	(7,116)	-	(7,116)
Decrease in pension obligation payable	(3,713)	-	(3,713)
Increase in deferred revenue.	357	-	357
Net cash used in operating activities	\$ (124,397)	\$ (1,096)	\$ (125,493)

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

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 1 comprehensive school, serving grades K through 8, and 1 high school. The District employs 73 non-certified and 109 certified (including administrative) full-time and part-time employees to provide services to approximately 1,623 students in grades K through 12 and various community groups, which ranks it 343rd out of approximately 705 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

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

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

A. The Reporting Entity

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

JOINTLY GOVERNED ORGANIZATION

Medina County Career Center - JVSD

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

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

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

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

JOINT VENTURE WITHOUT EQUITY INTEREST

Lake Erie Educational Computer Association (LEECA)

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

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

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

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes and accounts. Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

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

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

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

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

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

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

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

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

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement of comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

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

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are reported in Note 11 to the general purpose financial statements.

E. Cash and Investments

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

During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), a money market account, and certificates of deposit.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

The District assigns all investment earnings to the general fund, except those authorized by the Board of Education. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$188,160, which includes \$32,540 assigned from other District funds.

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

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

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

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

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

F. Inventory

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

G. Prepayments

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

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

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

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

2. Proprietary and Nonexpendable Trust Fund

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

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

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5-20

I. Compensated Absences

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

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

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

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

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

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. Long-Term Obligations

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

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

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

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

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

K. Fund Equity

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

L. Interfund Transactions

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

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

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

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

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

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

M. Contributed Capital

Contributed capital reported in the enterprise fund represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of revenue at fiscal year-end. There were no capital contributions received by the enterprise fund during fiscal 2002. Contributed capital in the enterprise fund at June 30, 2002 is \$169,500.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside for BWC refunds. This reserve is required by state statute and can be used only upon approval from the Board of Education for statutorily specific purposes. A fund balance reserve has also been established. See Note 16 for statutory reserves.

O. Estimates

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

P. Memorandum Only - Total Columns

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Statutory Noncompliance

- i. Contrary to Ohio Revised Code Section 5705.10, the District had negative cash balances in the Title VI-B, Title VI and Class Size Reduction special revenue funds of \$26,717, \$2,126 and \$50,694, respectively. For GAAP purposes, these amounts have been reported as fund liabilities of the respective funds.
- ii. Contrary to Ohio Revised Code Section 5705.39, the District had appropriations exceeding estimated resources in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
Special Revenue	Student Activity	\$31,242
Special Revenue	Eisenhower Professional Development	1,106
Special Revenue	Class Size Reduction	74,139
Capital Projects	SchoolNet	10,500
Enterprise	Food Service	35,201

B. Accumulated Deficit

An accumulated deficit existed at June 30, 2002 in the following funds:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Title VI	\$ 1,049
Drug-Free School	25
 <u>Enterprise Fund</u>	
Food Service	32,510

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. The Drug-Free School and Food Service funds complied with state statute which does not allow for a negative fund balance at year-end. The Title VI fund did not comply with state statute which does not allow for a negative fund balance at year-end (see Note 3.A.i.).

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Fund

The following is an accrual for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

ASSETS

Accounts receivable	\$3
---------------------	-----

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$413,001 and the bank balance was \$440,243 (both amounts include \$24,695 in non-negotiable certificates of deposit). Of the bank balance:

1. \$124,695 was covered by federal deposit insurance; and
2. \$315,548 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

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

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

	Category of Risk 3	Fair Value
Not subject to categorization:		
Investment in STAR Ohio	\$ -	\$ 50,556
Money market	6,573,316	6,573,316
Total investments	\$6,573,316	\$6,623,872

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

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 7,036,998	\$ -
Investments of the cash management pool:		
Money market	(6,573,316)	6,573,316
Investment in STAR Ohio	(50,556)	50,556
Cash on hand	(125)	-
GASB Statement No. 3	\$ 413,001	\$6,623,872

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

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

NOTE 5 - INTERFUND TRANSACTIONS

- A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$5,847
<u>Enterprise Fund</u>		
Food Service	<u>5,847</u>	<u>-</u>
Total	<u>\$5,847</u>	<u>\$5,847</u>

- B. At June 30, 2002, the Title VI-B, Title VI, and Class Size Reduction special revenue funds had negative cash balances. These fund overdrafts of the internal investment pool have been reported as fund liabilities of the respective funds.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$79,537	\$ -
<u>Special Revenue Funds</u>		
Title VI-B	-	26,717
Title VI	-	2,126
Class Size Reduction	<u>-</u>	<u>50,694</u>
Total	<u>\$79,537</u>	<u>\$79,537</u>

NOTE 6 - PROPERTY TAXES

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

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

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

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

The assessed value upon which the 2001 taxes were collected was \$137,064,276. Agricultural/residential and public utility/minerals real estate represented 84.51% or \$115,835,050 of this total; commercial & industrial real estate represented 3.56% or \$4,878,610 of this total; public utility tangible represented 6.98% or \$9,569,220 of this total and general tangible property represented 4.95% or \$6,781,396 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$52.43 per \$1,000.00 of assessed valuation for operations.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002, totaled \$407,222 in the general fund and \$70,207 in the debt service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Property taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Property Taxes - current and delinquent	\$3,454,324
Due from other funds	79,537
Accounts	74,110
Interfund loan receivable	5,963
Due from other governments	2,375
 <u>Special Revenue Funds</u>	
Due from other governments	216,561
Accounts	2,332
 <u>Debt Service Fund</u>	
Property Taxes - current and delinquent	572,630

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

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

NOTE 8 - FIXED ASSETS

The following changes occurred in the general fixed assets account group during the year:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
Land, buildings and improvements	\$11,955,079	\$230,734	\$(20,315)	\$12,165,498
Furniture/equipment	1,636,076	205,905	(33,289)	1,808,692
Vehicles	<u>954,532</u>	<u>187,793</u>	<u>(42,252)</u>	<u>1,100,073</u>
Total	<u>\$14,545,687</u>	<u>\$624,432</u>	<u>\$(95,856)</u>	<u>\$15,074,263</u>

A summary of the proprietary fixed assets at June 30, 2002, follows:

Furniture and equipment	\$258,362
Less: accumulated depreciation	<u>(96,241)</u>
Net fixed assets	<u>\$162,121</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. On April 1, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds (principal \$4,780,000; interest rate 4.40%; stated maturity December 1, 2019). \$5,225,581 of the issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt, which will be called for redemption on December 1, 2004, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the general long-term obligations account group. The outstanding amount of the defeased debt at June 30, 2002 was \$4,430,000. The advance refunding reduced cash flow required for debt service on general obligation bonds by \$990,001 over the next 18 years, and resulted in a net present value savings of \$238,793, using an interest rate of 4.6682% from date of delivery.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of both current interest bonds, par value \$4,585,000, and capital appreciation bonds, par value \$1,160,000. The average interest rate on the current interest bonds is 4.67%. The capital appreciation bonds mature each December 2007 through 2010 (effective interest ranging from 24.022% to 25.815%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2002 was \$195,000. Total accreted interest of \$57,209 has been included in the general long-term obligations account group at June 30, 2002. Principal paid on the current interest bonds during fiscal 2002 was \$155,000.

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

- B.** Excluding amounts defeased during 2002, \$3,075,000 remained a general obligation of the District. This amount is comprised of both current interest bonds, par value \$1,275,000, and capital appreciation bonds, par value \$1,800,000. Interest accrues at rates ranging from 3.9% to 6.1%. The capital appreciation bonds have annual mandatory sinking fund redemption requirements and mature annually beginning December 1, 2005 through December 1, 2009 at a redemption price equal to 100% of the principal, plus accrued interest to date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2002 was \$474,995. Total accreted interest of \$568,632 has been included in the general long-term obligations account group at June 30, 2002. The current interest bonds mature annually each December 1, through 2005, with interest payments due on June 1 and December 1 of each year. Principal paid during fiscal 2002 on the current interest bonds was \$295,000.
- C.** During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the impracticality of determining these values. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>General Obligation Bonds:</u>				
Series 1994, improvement 4.40%, 12/01/19 maturity	\$1,275,000	\$ -	\$(295,000)	\$ 980,000
Series 1994, improvement capital appreciation bonds 9.94% to 10.96% (average effective) 12/01/05, 06, 07, 08, & 09 maturity	474,995	-	-	474,995
Series 1994, improvement capital appreciation bonds accrued interest	467,608	101,024	-	568,632
Series 2001, refunding 4.67%, 12/01/19 maturity	4,585,000	-	(155,000)	4,430,000
Series 2001, refunding capital appreciation bonds 24.02% to 25.815% (average effective) 12/01/07, 08, 09, & 10 maturity	195,000	-	-	195,000
Series 2001, refunding capital appreciation bonds accrued interest	<u>10,800</u>	<u>46,409</u>	<u>-</u>	<u>57,209</u>
Total, general obligation bonds	<u>7,008,403</u>	<u>147,433</u>	<u>(450,000)</u>	<u>6,705,836</u>
<u>Other obligations:</u>				
Compensated absences	446,725	34,312	-	481,037
Pension benefit obligation	<u>73,556</u>	<u>83,092</u>	<u>(73,556)</u>	<u>83,092</u>
Total, other obligations	<u>520,281</u>	<u>117,404</u>	<u>(73,556)</u>	<u>564,129</u>
Total, all general long-term obligations	<u>\$7,528,684</u>	<u>\$264,837</u>	<u>\$(523,556)</u>	<u>\$7,269,965</u>

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30	Current Interest General Obligation Bonds	Capital Appreciation General Obligation Bonds	Total
2003	\$ 783,990	\$ -	\$ 783,990
2004	783,678	-	783,678
2005	786,505	-	786,505
2006	432,383	360,000	792,383
2007	431,930	-	431,930
2008 - 2012	1,016,392	2,405,000	3,421,392
2013 - 2017	2,138,826	-	2,138,826
2018 - 2020	<u>1,278,694</u>	<u>-</u>	<u>1,278,694</u>
Total	7,652,398	2,765,000	10,417,398
Less: Interest	<u>(2,242,398)</u>	<u>(1,469,164)</u>	<u>(3,711,562)</u>
Total	<u>\$ 5,410,000</u>	<u>\$ 1,295,836</u>	<u>\$ 6,705,836</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2002 are a voted debt margin of \$7,376,522 (including available funds of \$1,676,366); an unvoted debt margin of \$137,064; and an unvoted energy conservation debt margin of \$1,233,578.

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

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

NOTE 10 - RISK MANAGEMENT

A. Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2002, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and are traditionally funded.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2001.

B. Health Insurance

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

C. OSBA Workers' Compensation Group Rating

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

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

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

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains one enterprise fund to account for the operations of food services, therefore segment information for the fiscal year ended June 30, 2002 is not presented. The enterprise fund had \$1,475 of encumbrances outstanding at June 30, 2002.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$173,510, \$175,738, and 167,100, respectively; 43.32% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$98,352, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$639,186, \$630,055, and \$581,638, respectively; 83.22% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$107,256, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by STRS or SERS have an option to choose Social Security or STRS/SERS. As of June 30, 2002, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$205,453 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$129,087 during the 2002 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

**Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other
Financing Sources/(Uses)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(1,792,376)	\$(79,319)	\$109,041	\$35,727
Net adjustment for revenue accruals	88,967	133,959	(60,250)	-
Net adjustment for expenditure accruals	(158,219)	(10,338)	2,215	691
Net adjustment for other financing sources/(uses)	(3,641)	(5,963)	-	-
Adjustment for encumbrances	<u>3,022,001</u>	<u>28,390</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$1,156,732</u>	<u>\$ 66,729</u>	<u>\$ 51,006</u>	<u>\$36,418</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

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

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

NOTE 15 - CONTINGENCIES - (Continued)

B. Litigation

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

C. School Funding Decision

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

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

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

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

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

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance/carry forward as of June 30, 2001	\$(108,613)	\$ -	\$38,225
Current year set-aside requirement	183,112	183,112	-
Qualifying disbursements	<u>(189,665)</u>	<u>(532,874)</u>	<u>-</u>
 Total	 <u>\$(115,166)</u>	 <u>\$(349,762)</u>	 <u>\$38,225</u>
 Cash balance/carried forward to FY 2003	 <u>\$(115,166)</u>	 <u>\$ -</u>	 <u>\$38,225</u>

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

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero in the textbooks and capital acquisition reserves. The excess in the textbook reserve may be carried forward to future years. The capital acquisition reserve is being restated from prior year to properly reflect disallowed excess qualifying disbursement carry forward. The current year excess qualifying disbursements in the capital acquisition reserve may not be carried forward to future years.

A schedule of the restricted assets at June 30, 2002 follows:

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

SUPPLEMENTAL DATA

**BLACK RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A),(C) Food Distribution	10.550	N/A		\$ 29,050		\$ 28,644
(A),(D) School Breakfast Program	10.553	048462-05-PU-2001	\$ 2,968		\$ 2,968	
(A),(D) School Breakfast Program	10.553	048462-05-PU-2002	19,150		19,150	
(A),(D) National School Lunch	10.555	048462-LL-P4-2001	12,569		12,569	
(A),(D) National School Lunch	10.555	048462-LL-P4-2002	76,556		76,556	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>111,243</u>	<u>29,050</u>	<u>111,243</u>	<u>28,644</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I	84.010	048462-C1-S1-2001	40,345		111,672	
Title I	84.010	048462-C1-S1-2001-C	52,240		52,240	
Title I	84.010	048462-C1-S1-2002	343,207		261,872	
Total Title I			<u>435,792</u>		<u>425,784</u>	
Special Education Cluster:						
(B) Title VI-B	84.027	048462-6B-SF-2002-P	61,934		88,651	
(B) Special Education Preschool Handicapped	84.173	048462-PG-S1-2002-P	3,768		3,068	
Total Special Education Cluster			<u>65,702</u>		<u>91,719</u>	
Safe and Drug-Free Schools	84.186	048462-DR-S1-2002	5,897		5,897	
Eisenhower Professional Development	84.281	048462-MS-S1-2001	-		970	
Eisenhower Professional Development	84.281	048462-MS-S1-2002	11,138		9,170	
Total Eisenhower Professional Development			<u>11,138</u>		<u>10,140</u>	
Title VI	84.298	048462-C2-S1 2001	-		822	
Title VI	84.298	048462-C2-S1 2002	6,661		8,787	
Total Title VI			<u>6,661</u>		<u>9,609</u>	
Ohio LPDC Action Research Project	84.336	048462-QE-S1-2002	7,500		1,810	
Title VI-R	84.340	048462-CR-S1 2002	20,759		71,453	
Total U.S. Department of Education			<u>553,449</u>		<u>616,412</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
(F) Community Alternative Funding System Program	93.778	N/A	3,088		3,088	
Total Federal Financial Assistance			<u>\$ 667,780</u>	<u>\$ 29,050</u>	<u>\$ 730,743</u>	<u>\$ 28,644</u>

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

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

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

We have audited the general purpose financial statements of Black River Local School District as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated November 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Black River Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-BRLSD-001 and 2002-BRLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Black River Local School District in a separate letter dated November 26, 2002.

Board of Education
Black River Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Black River Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Black River Local School District in a separate letter dated November 26, 2002.

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

Trimble, Julian & Grube, Inc.
November 26, 2002

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

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

Compliance

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

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

Board of Education
Black River Local School District

In our opinion, Black River Local School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
November 26, 2002

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY
JUNE 30, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS
--

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY
JUNE 30, 2002**

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

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	<i>Nutrition Grant Cluster: Food Distribution-CFDA #10.550; School Breakfast Program-CFDA #10.553; National School Lunch Program-CFDA #10.555 and Title VI-R-CFDA #84.340</i>
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

Finding Number	2002-BRLSD-001
----------------	----------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the District had appropriations exceeding estimated resources in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
Special Revenue	Student Activity	\$31,242
Special Revenue	Eisenhower Professional Development	1,106
Special Revenue	Class Size Reduction	74,139
Capital Projects	SchoolNet	10,500
Enterprise	Food Service	35,201

With appropriations exceeding estimated resources, the District is spending monies that are not lawfully appropriated for those purposes and this could cause a fund deficit.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY
JUNE 30, 2002**

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

**2. FINDINGS RELATED TO THE GENERAL
PURPOSE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2002-BRLSD-001 - (Continued)
----------------	------------------------------

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Finding Number	2002-BRLSD-002
----------------	----------------

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that at June 30, 2002, the District maintained negative cash balances in the Title VI-B, Title VI and Class Size reduction special revenue funds of \$26,717, \$2,126 and \$50,694, respectively.

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BLACK RIVER LOCAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**