

Midview Local School District
GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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
Midview Local School District
Grafton, Ohio

We have reviewed the Independent Auditor's Report of the Midview Local School District, Lorain County, prepared by Ciuni & Panichi, 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 Midview Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 30, 2002

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MIDVIEW LOCAL SCHOOL DISTRICT

FOR THE YEAR ENDED JUNE 30, 2002

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*Creating economic value through
knowledge, innovation, commitment, and service*

CIUNI & PANICHI
INC.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

Independent Auditor's Report

Board of Education
Midview Local School District
Grafton, Ohio

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 Midview Local School District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2002 on our consideration of the Midview Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ciuni & Panichi, Inc.

Cleveland, Ohio
November 20, 2002

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MIDVIEW LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS AND OTHER DEBITS</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash				
Equivalents	\$ 3,006,729	\$ 230,969	\$ 187,911	\$ 1,140,791
Cash with fiscal agent	-	536	2,700	-
Receivables:				
Taxes	7,126,590	1,495,433	5,282	922,832
Delinquent Taxes	125,917	29,091	183	15,236
Accounts	378,408	35	-	-
Intergovernmental	-	625,038	-	-
Interfund	489,218	-	-	-
Materials and Supplies Inventory	79,310	-	-	-
Prepaid Items	27,033	-	3,038	-
Fixed Assets, Net of Accumulated Depreciation	-	-	-	-
<u>Other Debits</u>				
Amount Available in Debt Service Fund	-	-	-	-
Amount to be Provided for Retirement of General Obligation Bonds	-	-	-	-
 Total Assets and Other Credits	 \$ <u>11,233,205</u>	 \$ <u>2,381,102</u>	 \$ <u>199,114</u>	 \$ <u>2,078,859</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ 131,270	\$ 164,406	\$ -	\$ -	\$ 4,862,076
-	-	-	-	3,236
-	-	-	-	9,550,137
-	-	-	-	170,427
-	1,400	-	-	379,843
-	-	-	-	625,038
-	-	-	-	489,218
17,707	-	-	-	97,017
-	-	-	-	30,071
97,083	-	19,651,715	-	19,748,798
-	-	-	192,774	192,774
-	-	-	<u>1,327,775</u>	<u>1,327,775</u>
<u>\$ 246,060</u>	<u>\$ 165,806</u>	<u>\$ 19,651,715</u>	<u>\$ 1,520,549</u>	<u>\$ 37,476,410</u>

(Continued)

MIDVIEW LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

(CONTINUED)

JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 362,994	\$ 12,013	\$ -	\$ 101,845
Accrued Wages and Benefits	1,950,206	84,433	-	-
Accrued Compensated Absences	142,414	-	-	-
Interfund Payable	-	489,218	-	-
Deferred Revenue	5,954,655	1,234,339	3,640	782,918
Accrued Pension and Surcharges	298,197	5,930	-	-
Due to Students	-	-	-	-
Matured Bonds Payable	-	-	2,700	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	<u>8,708,466</u>	<u>1,825,933</u>	<u>6,340</u>	<u>884,763</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings	-	-	-	-
Fund Balance:				
Reserve for Prepaid Items	27,033	-	-	-
Reserve for Encumbrances	323,031	21,556	-	522,291
Reserve for Inventory	79,310	-	-	-
Reserve for Debt Service	-	-	90,000	-
Unreserved; Undesignated	<u>2,095,365</u>	<u>533,613</u>	<u>102,774</u>	<u>671,805</u>
Total Fund Equity and Other Credits	<u>2,524,739</u>	<u>555,169</u>	<u>192,774</u>	<u>1,194,096</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 11,233,205</u>	<u>\$ 2,381,102</u>	<u>\$ 199,114</u>	<u>\$ 2,078,859</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ 7,419	\$ 6,716	\$ -	\$ -	\$ 490,987
43,951	-	-	-	2,078,590
28,676	-	-	1,267,569	1,438,659
-	-	-	-	489,218
2,944	-	-	-	7,978,496
39,678	-	-	162,980	506,785
-	128,450	-	-	128,450
-	-	-	-	2,700
-	-	-	90,000	90,000
<u>122,668</u>	<u>135,166</u>	<u>-</u>	<u>1,520,549</u>	<u>13,203,885</u>
-	-	19,651,715	-	19,651,715
123,392	-	-	-	123,392
-	-	-	-	27,033
-	1,372	-	-	868,250
-	-	-	-	79,310
-	-	-	-	90,000
<u>-</u>	<u>29,268</u>	<u>-</u>	<u>-</u>	<u>3,432,825</u>
<u>123,392</u>	<u>30,640</u>	<u>19,651,715</u>	<u>-</u>	<u>24,272,525</u>
\$ <u>246,060</u>	\$ <u>165,806</u>	\$ <u>19,651,715</u>	\$ <u>1,520,549</u>	\$ <u>37,476,410</u>

MIDVIEW LOCAL SCHOOL DISTRICT

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

<u>Revenues</u>	<u>General</u>	<u>Special Revenue</u>
From Local Sources:		
Taxes	\$ 8,220,152	\$ 2,011,204
Tuition	20,300	-
Earnings on Investments	192,871	-
Other Local Revenue	-	75
Extracurricular Activities	13,300	175,287
Classroom Materials and Fees	23,365	-
Miscellaneous	585,401	-
From Intermediate Sources:		
Restricted Grant-in-Aid	-	6,100
From State Sources:		
Unrestricted Grant-in-Aid	11,313,839	183,783
Restricted Grant-In-Aid	-	74,836
From Federal Sources:		
Restricted Grants-In-Aid	18,824	633,264
Total Revenues	<u>20,388,052</u>	<u>3,084,549</u>
 <u>Expenditures</u>		
Instruction:		
Regular	9,173,743	287,166
Special	1,262,551	298,459
Vocational	220,812	-
Other Instruction	10,566	5,000
Supporting Services:		
Pupils	1,097,300	47,415
Instructional Staff	462,477	20,044
Board of Education	676,400	-
Administration	2,007,584	86,289
Fiscal Services	491,673	17,087
Business	588,312	-
Operations and Maintenance - Plant	1,777,874	-
Pupil Transportation	1,167,462	36,736
Central Services	-	13,560
Food Service Operations	110	-
Academic & Subject Oriented Activities	36,777	500
Extracurricular Activities:		
Sports Oriented	302,839	94,770
Co-Curricular Activities	44,820	126,451
Capital Outlay:		
Site Acquisition	-	-
Site Improvement	-	-
Architecture and Engineering	48,118	-
Building Improvement	-	-
Other Facilities Acquisition and Construction	-	-
Debt Services:		
Principal Payment	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>19,369,418</u>	<u>1,033,477</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
\$ 17,447	\$ 983,136	\$ -	\$ 11,231,939
-	-	-	20,300
-	-	-	192,871
-	-	-	75
-	-	-	188,587
-	-	-	23,365
-	-	23,273	608,674
-	-	-	6,100
2,434	164,078	-	11,664,134
-	45,883	-	120,719
-	-	-	652,088
<u>19,881</u>	<u>1,193,097</u>	<u>23,273</u>	<u>24,708,852</u>
-	162,146	13,915	9,636,970
-	-	-	1,561,010
-	-	-	220,812
-	-	-	15,566
-	61,873	-	1,206,588
-	-	-	482,521
-	-	-	676,400
-	115,597	-	2,209,470
232	19,648	-	528,640
-	-	-	588,312
-	145,819	-	1,923,693
-	115,239	-	1,319,437
-	-	-	13,560
-	-	-	110
-	-	-	37,277
-	-	-	397,609
-	-	-	171,271
-	335,000	-	335,000
-	1,209,593	-	1,209,593
-	5,972	-	54,090
-	964,343	-	964,343
-	5,885	-	5,885
2,590,000	-	-	2,590,000
93,955	-	-	93,955
<u>2,684,187</u>	<u>3,141,115</u>	<u>13,915</u>	<u>26,242,112</u>

(Continued)

MIDVIEW LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	<u>General</u>	<u>Special Revenue</u>
Excess of Revenues Over (Under) Expenditures	<u>1,018,634</u>	<u>2,051,072</u>
<u>Other Financing Sources (Uses)</u>		
Sale of Assets	25	-
Transfers – In	3,809,915	96,810
Refund of Prior Year Expenditures	7,598	-
Transfers – Out	<u>(2,927,625)</u>	<u>(3,809,915)</u>
Total Other Financing Sources (Uses)	<u>889,913</u>	<u>(3,713,105)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,908,547	(1,662,033)
Fund Balance, Beginning of Year	635,207	2,217,202
Decrease in Reserve for Inventory	<u>(19,015)</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>2,524,739</u>	\$ <u>555,169</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
<u>(2,664,306)</u>	<u>(1,948,018)</u>	<u>9,358</u>	<u>(1,533,260)</u>
-	-	-	25
2,587,881	2,082,733	-	8,577,339
-	-	-	7,598
-	<u>(1,837,108)</u>	-	<u>(8,574,648)</u>
<u>2,587,881</u>	<u>245,625</u>	<u>-</u>	<u>10,314</u>
(76,425)	(1,702,393)	9,358	(1,522,946)
269,199	2,896,489	21,282	6,039,379
<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,015)</u>
\$ <u>192,774</u>	\$ <u>1,194,096</u>	\$ <u>30,640</u>	\$ <u>4,497,418</u>

MIDVIEW LOCAL SCHOOL DISTRICT

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

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
Taxes	\$ 7,055,856	\$ 6,922,300	\$ (133,556)
Tuition	20,794	20,400	(394)
Earnings on Investment	196,592	192,871	(3,721)
Extracurricular Activities	13,557	13,300	(257)
Classroom Materials and Fees	23,815	23,365	(450)
Miscellaneous	211,160	207,163	(3,997)
Intergovernmental – State	11,532,124	11,313,839	(218,285)
Intergovernmental – Federal	<u>19,187</u>	<u>18,824</u>	<u>(363)</u>
Total Revenue	<u>19,073,085</u>	<u>18,712,062</u>	<u>(361,023)</u>
<u>Expenditures</u>			
Instruction:			
Regular	9,110,228	9,254,213	(143,985)
Special	1,506,241	1,530,047	(23,806)
Vocational Education	221,018	224,511	(3,493)
Adult/Continuing	52	53	(1)
Other Instruction	9,891	10,047	(156)
Supporting Services:			
Pupils	1,083,055	1,100,173	(17,118)
Instructional Staff	465,910	473,273	(7,363)
Board of Education	669,050	679,625	(10,575)
Administrations	1,945,799	1,976,552	(30,753)
Fiscal Service	481,978	489,596	(7,618)
Business	587,972	597,265	(9,293)
Operation and Maintenance – Plant	1,819,019	1,847,769	(28,750)
Pupil Transportation	1,197,524	1,216,451	(18,927)
Extracurricular Activities:			
Academic and Subject Oriented Activities	36,052	36,619	(567)
Sports Oriented	300,076	304,818	(4,742)
Co-Curricular Activities	44,006	44,702	(696)
Facilities Acquisition and Construction Services:			
Architecture and Engineering	<u>60,506</u>	<u>61,462</u>	<u>(956)</u>
Total Expenditures	<u>19,538,377</u>	<u>19,847,176</u>	<u>(308,799)</u>

(Continued)

MIDVIEW LOCAL SCHOOL DISTRICT

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

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Excess of Revenues Over (Under) Expenditures	(465,292)	(1,135,114)	(669,822)
<u>Other Financing Sources (Uses)</u>			
Sale of Assets	25	25	-
Transfers – In	3,883,422	3,809,915	(73,507)
Advances – In	69,902	68,579	(1,323)
Refund of Prior Year Expenditures	7,745	7,598	(147)
Transfers – Out	(2,882,074)	(2,927,625)	(45,551)
Advances – Out	(375,877)	(381,818)	(5,941)
Total Other Financing Sources and (Uses)	703,143	576,674	(126,469)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	237,851	(558,440)	(796,291)
Fund Balance at Beginning of Year	2,205,321	2,205,321	-
Prior Year Encumbrances Appropriated	744,364	744,364	-
Fund Balance at End of Year	\$ 3,187,536	\$ 2,391,245	\$ (796,291)

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

MIDVIEW LOCAL SCHOOL DISTRICT

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

	Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 1,760,286	\$ 1,721,018	\$ (39,268)
Extracurricular Activities	179,961	175,947	(4,014)
Intergovernmental – Intermediate Sources	6,239	6,100	(139)
Intergovernmental – State	273,930	267,819	(6,111)
Intergovernmental – Federal	<u>340,864</u>	<u>333,260</u>	<u>(7,604)</u>
Total Revenue	<u>2,561,280</u>	<u>2,504,144</u>	<u>(57,136)</u>
<u>Expenditures</u>			
Instruction:			
Regular	182,648	301,084	(118,436)
Special	181,518	299,220	(117,702)
Supporting Services:			
Pupils	28,530	47,030	(18,500)
Instructional Staff	15,136	24,951	(9,815)
Administrations	51,550	84,977	(33,427)
Fiscal Service	10,366	17,087	(6,721)
Pupil Transportation	21,916	36,127	(14,211)
Central	8,226	13,560	(5,334)
Extracurricular Activities:			
Academic and Subject Oriented Activities	303	500	(197)
Sports Oriented	60,071	99,023	(38,952)
Co-Curricular Activities	<u>79,243</u>	<u>130,626</u>	<u>(51,383)</u>
Total Expenditures	<u>639,507</u>	<u>1,054,185</u>	<u>(414,678)</u>
Excess of Revenues Over (Under) Expenditures	<u>1,921,773</u>	<u>1,449,959</u>	<u>(471,814)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers – In	99,095	96,885	(2,210)
Advances – In	390,530	381,818	(8,712)
Transfers – Out	(2,314,265)	(3,814,915)	(1,500,650)
Advances – Out	<u>(41,602)</u>	<u>(68,579)</u>	<u>(26,977)</u>
Total Other Financing Sources and (Uses)	<u>(1,866,242)</u>	<u>(3,404,791)</u>	<u>(1,538,549)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	55,531	(1,954,832)	(2,010,363)
Fund Balance at Beginning of Year	2,119,412	2,119,412	-
Prior Year Encumbrances Appropriated	<u>32,858</u>	<u>32,858</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>2,207,801</u>	\$ <u>197,438</u>	\$ <u>(2,010,363)</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

MIDVIEW LOCAL SCHOOL DISTRICT

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

	Debt Service Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
Taxes	\$ 2,259	\$ 15,622	\$ 13,363
Intergovernmental – State	352	2,434	2,082
Total Revenue	2,611	18,056	15,445
<u>Expenditures</u>			
Supporting Services:			
Fiscal Service	702	232	470
Debt Service:			
Principal Retirement	271,921	2,590,000	(2,318,079)
Interest and Fiscal Charges	27,863	96,993	(69,130)
Total Expenditures	300,486	2,687,225	(2,386,739)
Excess of Revenues Over (Under) Expenditures	(297,875)	(2,669,169)	(2,371,294)
<u>Other Financing Sources (Uses)</u>			
Transfers – In	374,286	2,587,881	2,213,595
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	76,411	(81,288)	(157,699)
Fund Balance at Beginning of Year	269,199	269,199	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance at End of Year	\$ 345,610	\$ 187,911	\$ (157,699)

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

MIDVIEW LOCAL SCHOOL DISTRICT

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

	Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 307,437	\$ 827,987	\$ 520,550
Intergovernmental - State	<u>77,960</u>	<u>209,961</u>	<u>132,001</u>
Total Revenue	<u>385,397</u>	<u>1,037,948</u>	<u>652,551</u>
<u>Expenditures</u>			
Instruction:			
Regular	45,457	181,532	(136,075)
Supporting Services:			
Pupils	18,480	73,801	(55,321)
Administrations	29,554	118,023	(88,469)
Fiscal Service	4,920	19,648	(14,728)
Operation and Maintenance-Plant	88,305	352,649	(264,344)
Pupil Transportation	73,271	292,607	(219,336)
Facilities Acquisition and Construction Services:			
Site Acquisition	83,886	335,000	(251,114)
Site Improvement	333,686	1,332,580	(998,894)
Architecture and Engineering	7,039	28,110	(21,071)
Building Improvement	306,212	1,222,860	(916,648)
Other Facilities and Construction	<u>5,761</u>	<u>23,005</u>	<u>(17,244)</u>
Total Expenditures	<u>996,571</u>	<u>3,979,815</u>	<u>(2,983,244)</u>
Excess of Revenues Over (Under) Expenditures	<u>(611,174)</u>	<u>(2,941,867)</u>	<u>(2,330,693)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers – In	773,331	2,082,733	1,309,402
Transfers – Out	<u>(460,023)</u>	<u>(1,837,108)</u>	<u>(1,377,085)</u>
Total Other Financing Sources and (Uses)	<u>313,308</u>	<u>245,625</u>	<u>(67,683)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(297,866)	(2,696,242)	(2,398,376)
Fund Balance at Beginning of Year	1,241,508	1,241,508	-
Prior Year Encumbrances Appropriated	<u>1,941,389</u>	<u>1,941,389</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>2,885,031</u>	\$ <u>486,655</u>	\$ <u>(2,398,376)</u>

See Accompanying Notes to the General Purpose Financial Statements

MIDVIEW LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Enterprise Funds</u>
<u>Operating Revenues</u>	
Tuition	\$ 8,625
Food Service	472,259
Classroom Materials and Fees	<u>80,572</u>
Total Operating Revenues	<u>561,456</u>
<u>Operating Expenses</u>	
Salaries and Wages	303,919
Fringe Benefits	71,824
Food Service Operations	1,905
Contractual Services	7,320
Supplies and Materials	432,148
Depreciation Expense	7,675
Capital Outlay	660
Other Operating Expenses	<u>2,724</u>
Total Operating Expenses	<u>828,175</u>
Operating Loss	<u>(266,719)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Federal Donated Commodities	51,337
Advance from State Solvency Assistance	772
Refund of Prior Years Receipts	(140)
Unrestricted Grant-in-Aid	5,450
Unrestricted Grant-in-Aid	123,754
Other Operating Revenues	<u>19,771</u>
Total Non-Operating Revenues (Expenses)	<u>200,944</u>
Net Loss Before Operating Transfers	(65,775)
Operating Transfers – In	26,725
Operating Transfers – Out	<u>(29,416)</u>
Net Loss	(68,466)
Retained Earnings, Beginning of Year	<u>191,858</u>
Retained Earnings, End of Year	\$ <u><u>123,392</u></u>

See Accompanying Notes to the General Purpose Financial Statements

MIDVIEW LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Enterprise Funds</u>
<u>Increase and Decrease in Cash and Cash Equivalents</u>	
<u>Cash Flows From Operating Activities</u>	
Cash Received from Customers	\$ 581,227
Cash Payments for Personal Services	(357,097)
Cash Payments for Contractual Services	(10,704)
Cash Payments to Vendors for Supplies and Materials	<u>(382,845)</u>
Net Cash Used in Operating Activities	<u>(169,419)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Unrestricted Grants-in-Aid	150,179
Transfer From Other Funds	26,725
Transfer To Other Funds	(29,416)
Refund of Prior Year Receipts	<u>(140)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>147,348</u>
Net Decrease in Cash and Cash Equivalents	(22,071)
Cash and Cash Equivalents at Beginning of Year	<u>153,341</u>
Cash and Cash Equivalents at End of Year	\$ <u>131,270</u>

(Continued)

MIDVIEW LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Enterprise Funds</u>
<u>Reconciliation of Operating Loss To Net Cash From Operating Activities</u>	
Operating Loss	\$ (266,719)
Adjustments to Reconcile Operating Loss to Net Cash From Operating Activities:	
Depreciation	7,675
(Increase) Decrease in Assets:	
Accounts and Other Receivables	20,975
Inventories	(993)
Increase (Decrease) in Liabilities:	
Accounts and Other Payables	6,061
Accrued Salaries and Benefits Payable	1,744
Accrued Compensated Absences	1,786
Accrued Pension	9,602
Deferred Revenue	(456)
Due to Other Governments	<u>50,906</u>
Net Cash Used in Operating Activities	<u>\$ (169,419)</u>

See Accompanying Notes to the General Purpose Financial Statements

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Midview Local School District (the "District") is located in Lorain County in Northern Ohio. The District includes the townships of Belden, Eaton, Carlisle and Grafton and the Village of Grafton, covering approximately 64 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 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 146 non-certified and 209 certified (including administrative) full-time and part-time employees to provide services to approximately 3,405 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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's significant accounting policies are described below.

A. REPORTING ENTITY

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. 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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. REPORTING ENTITY (CONTINUED)

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District:

Jointly Governed Organizations:

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization among thirteen school districts. LERC was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, natural gas consumption, driver education, food service, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge (except for insurance). The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information is available from the Treasurer of the Educational Service Center of Lorain County, located at 1885 Lake Avenue, Elyria, Ohio 44035. During fiscal year 2002, the District paid \$1,181,354 (including insurance premiums) to LERC.

Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District (the "JVS") is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of its students. The Board of the JVS comprised of representatives from each participating school district, and is responsible for approving its own budgets, appointing personnel, and accounting and financing-related activities. The District's students may attend the JVS on a tuition-free basis. Each school district's control is limited to its representation on the board. Financial information is available from the Treasurer of the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. REPORTING ENTITY (CONTINUED)

Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. LEECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information is available from the Treasurer of the Educational Service Center of Lorain County (fiscal agent), located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2002, the District paid \$152,583 to LEECA for basic service charges.

The District is also a participant in two public entity risk sharing pools, which are discussed in Note 10.

B. FUND ACCOUNTING

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

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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FUND ACCOUNTING (CONTINUED)

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

Trust and Agency Funds - These 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 and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds are 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:

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FUND ACCOUNTING (CONTINUED)

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.

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.

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 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 sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 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.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when 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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

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 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 revenues.

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 Lorain County Budget Commission for tax rate determination.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS (CONTINUED)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the Amended Certificate issued prior to fiscal year end.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions 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. No supplemental appropriations were enacted by the Board during fiscal 2002.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS (CONTINUED)

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

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

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" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements.

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

STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Federal regulations require that interest also be allocated to the Food Service fund. Interest revenue credited to the General fund during fiscal 2002 totaled \$192,871, which included \$108,792 assigned from other funds of the District.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. This account had a balance of \$2,700 at June 30, 2002. This depository account is presented on the combined balance sheet as "Cash with Fiscal Agent" since it is not required to be deposited into the District treasury.

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

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. INVENTORY

Inventories of all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

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. PREPAIDS

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 benefiting from the advance payment. At period-end, because prepayment and deferrals 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, nor is interest on debt issued to construct or acquire general fixed assets. 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.

2. Proprietary Funds

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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. FIXED ASSETS AND DEPRECIATION (CONTINUED)

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

	<u>Years</u>
Buildings	25-50
Furniture, Fixtures, and Minor Equipment	5-20
Vehicles	4-6

I. INTERGOVERNMENTAL REVENUES

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Funds

State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Title VI-B
Title I
Reducing Class Size
Ohio Reads
Title VI
Drug-Free Schools

Data Communications Support

Child Abuse

SchoolNet Professional Development

Textbook/Instructional Material Subsidy

Family and School Partnership

Professional Development EESA/NDEA

Capital Project Funds

SchoolNet

Reimbursable Grants

General Fund

School Bus Purchases

Proprietary Funds

National School Lunch Program

Food Distribution Program

Grants and entitlements amounted to over 50% of the District's operating revenue during the 2002 fiscal year.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. COMPENSATED ABSENCES

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

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

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

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

K. LONG-TERM OBLIGATIONS

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

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

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. FUND EQUITY

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, long-term advances, debt service, and prepaids. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. INTERFUND TRANSACTIONS

During the course of normal operations, the District has numerous transactions between funds. The most significant 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.
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.

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. STATUTORY RESERVES

The District is required by State law to set aside certain (cash basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Instructional Materials Reserve</u>	<u>Capital Maintenance Reserve</u>
Balance, July 1, 2001, restated*	\$ (457,755)	\$ -
Required Set-Aside	396,239	396,239
Qualifying Expenditures	<u>(571,543)</u>	<u>(735,015)</u>
Balance, June 30, 2002	\$ <u><u>(633,059)</u></u>	\$ <u><u>(338,776)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ <u><u>(633,059)</u></u>	\$ <u><u>-</u></u>
Set-Aside Reserve Balances as of June 30, 2002	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

*The prior year's instructional material reserve was overstated by \$53,090.

Although the School District had qualifying disbursements during the year that reduced the set-aside amounts to below zero for both textbook and capital improvements, the extra amount for capital improvements may not be used to reduce the set-aside requirements of future years. However, the extra amount for textbooks may be used to reduce future set-aside requirements.

O. STATEMENT OF CASH FLOWS

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

P. FINANCIAL REPORTING FOR PROPRIETARY AND SIMILAR FUND TYPES

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

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. ESTIMATES

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

R. MEMORANDUM ONLY - TOTAL COLUMNS

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. DEFICIT RETAINED EARNINGS

Retained earnings at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Enterprise Funds</u>	
Rotary	\$ 22,382
Recreation	22,614

These GAAP 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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (CONTINUED)

B. BUDGETARY NON-COMPLIANCE

Fiscal year 2002 expenditures materially exceeded the board-adopted appropriations for the following funds:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Emergency Fund	\$ 2,337,150	\$ 3,827,002	\$ (1,489,852)
Public School Support	80,606	129,924	(49,318)
District Managed Activity	55,216	92,242	(37,026)
Title I	246,072	402,464	(156,392)
Title VI-B	137,146	224,573	(87,427)
Family School Partnerships	57,103	93,536	(36,433)
Total Special Revenue Funds	\$ <u>2,913,293</u>	\$ <u>4,769,741</u>	\$ <u>(1,856,448)</u>
Capital Projects Fund:			
Permanent Improvement	\$ 1,147,527	\$ 2,502,001	(1,354,474)
Building	235,276	2,510,335	(2,275,059)
School Net	73,790	150,449	(76,659)
Total Capital Project Funds	\$ <u>1,456,593</u>	\$ <u>5,162,785</u>	\$ <u>(3,706,192)</u>

Fiscal year 2002 appropriations materially exceeded the certificate of estimated resources for the following trends:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Fund:			
Emergency Fund Levy	\$ 2,288,364	\$ 2,337,150	\$ (48,786)
Capital Project Funds:			
Permanent Improvement	939,922	1,147,527	(207,605)
Building	166,654	235,276	(68,622)
SchoolNet Equip/Infrastructure	52,152	73,790	(21,638)
Total Capital Project Funds	\$ <u>1,158,728</u>	\$ <u>1,456,593</u>	\$ <u>(297,865)</u>

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

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

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash with Fiscal Agent: At year end, \$3,236 was on deposit in the District's debt service and athletic accounts, and is included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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 \$(26,395) and the bank balance was \$802 (both amounts include cash on deposit with fiscal agents). Of the bank balance, \$802 was secured by federal depository insurance. \$0 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposits of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are required to be categorized to give an indication of 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Repurchase Agreement	\$ 235,000	\$ 235,000
Not Subject to Categorization:		
Investment in State Treasurer's Investment Pool	-	4,656,707
Total Investments	\$ 235,000	\$ 4,891,707

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

The classification of cash and 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 and 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:

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,862,076	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(4,656,707)	\$ 4,656,707
Repurchase Agreement	(235,000)	235,000
Cash with Fiscal Agent:		
Deposits	<u>3,236</u>	
GASB Statement No. 3	\$ <u><u>(26,395)</u></u>	\$ <u><u>4,891,707</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's long-term interfund advances at June 30, 2002:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ <u><u>489,218</u></u>	\$ <u><u>-</u></u>
<u>Special Revenue</u>		
Public School Support	\$ -	\$ 3,550
Title VI-B	-	69,230
Chapter I	-	377,330
Title II	-	6,500
Drug Free Grant	-	10,085
Miscellaneous Federal Grant Fund	-	<u>22,523</u>
	\$ <u><u>-</u></u>	\$ <u><u>489,218</u></u>

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 5 - INTERFUND TRANSACTIONS (CONTINUED)

B. The following is a reconciliation of the District's operating transfers for 2002 as approved by the Board:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
<u>General Fund</u>	\$ <u>3,809,915</u>	\$ <u>2,927,625</u>
<u>Special Revenue Funds</u>		
Public School Support	27,036	-
Emergency Levy	-	3,809,915
District Managed Student Activity	2,515	-
Title I	<u>67,259</u>	<u>-</u>
Total Special Revenue Funds	<u>96,810</u>	<u>3,809,915</u>
<u>Debt Service Funds</u>		
Bond Retirement	<u>2,587,881</u>	<u>-</u>
<u>Capital Projects Funds</u>		
Permanent Improvement	2,082,733	-
Building	<u>-</u>	<u>1,837,108</u>
Total Capital Projects Funds	<u>2,082,733</u>	<u>1,837,108</u>
<u>Enterprise Fund</u>		
Uniform School Supplies	12,800	-
Rotary-Special Services	6,720	-
Recreation	7,205	-
Special Enterprises	<u>-</u>	<u>29,416</u>
Total Enterprise Funds	<u>26,725</u>	<u>29,416</u>
Total All Fund Types	\$ <u>8,604,064</u>	\$ <u>8,604,064</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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 6 - PROPERTY TAXES (CONTINUED)

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

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

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 values upon which the fiscal year 2002 taxes were collected are as follows:

	2001 Second-Half		2002 First-Half	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 304,211,350	88.70%	\$ 312,174,570	88.67%
Public Utility Personal	19,661,530	5.73	18,818,030	5.34
Tangible Personal Property	<u>19,083,680</u>	<u>5.57</u>	<u>21,089,700</u>	<u>5.99</u>
	\$ <u>342,956,560</u>	<u>100.00%</u>	\$ <u>352,082,300</u>	<u>100.00%</u>

	2001 Second-Half	2002 First-Half
	Collections	Collections
	Amount	Amount
Tax rate per \$1,000 of assessed valuation		
Operations	\$ 48.04	\$ 48.04
Permanent Improvement	2.00	2.00
Debt Service	0.10	0.10

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Lorain 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 intended to finance current year operations. The total receivable is therefore offset by a credit to deferred revenue.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 7 – RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as “due from other governments” on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$ 7,252,507
Accounts	378,408
Interfund	489,218
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	1,524,524
Intergovernmental	625,038
<u>Debt Service Funds</u>	
Taxes - current and delinquent	5,465
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	938,068

NOTE 8 - FIXED ASSETS

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Land/improvements	\$ 1,097,761	\$ 944,200	\$ (39,161)	\$ 2,002,800
Buildings/improvements	12,595,451	1,566,432	(263,824)	13,898,059
Equipment and vehicles	3,123,868	680,555	(53,567)	3,750,856
Construction in Progress	<u>370,098</u>	<u>-</u>	<u>(370,098)</u>	<u>-</u>
Total	<u>\$ 17,187,178</u>	<u>\$ 3,191,187</u>	<u>\$ (726,650)</u>	<u>\$ 19,651,715</u>

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

Furniture and Equipment	\$ 279,301
Less: Accumulated Depreciation	<u>(182,218)</u>
Net Fixed Assets	<u>\$ 97,083</u>

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 9 - LONG-TERM DEBT

General obligations bonds are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current \$.10 mill bonded debt tax levy.

A. The following is a description of the District's bonds outstanding as of June 30, 2002:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/01</u>	<u>(Retired) Fiscal 2001</u>	<u>Balance 06/30/02</u>
School Improvement Bonds	6.75%	01/01/78	12/01/02	\$ <u>180,000</u>	\$ <u>(90,000)</u>	\$ <u>90,000</u>
				\$ <u>180,000</u>	\$ <u>(90,000)</u>	\$ <u>90,000</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for school improvement bonds:

<u>Year Ending June 30,</u>	<u>Principal On School Improvement Bonds</u>	<u>Interest On School Improvement Bonds</u>	<u>Total</u>
2003	\$ <u>90,000</u>	\$ <u>6,075</u>	\$ <u>96,075</u>

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 and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance at July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at June 30, 2002</u>
Compensated Absences	\$ 1,312,338	\$ -	\$ (44,769)	\$ 1,267,569
School Improvement Bond	180,000	-	(90,000)	90,000
Pension Obligation Payable	157,172	5,808	-	162,980
Notes Payable	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>	<u>-</u>
Total	\$ <u>4,149,510</u>	\$ <u>5,808</u>	\$ <u>(2,634,769)</u>	\$ <u>1,520,549</u>

On November 30, 2000, the District issued \$2,500,000 of long-term notes at an interest rate of 4.35 percent in accordance with the Ohio Revised Code. These notes were issued for the purpose of constructing a new science wing at the high school. In fiscal year 2002, these notes were repaid.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 9 - LONG-TERM DEBT (CONTINUED)

D. 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 \$31,687,407 (including available funds of \$90,000) and an unvoted debt margin of \$352,082.

NOTE 10 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and nature disasters. The District has contracted with the Love Insurance Company for property insurance. Professional liability is provided by the Wausau National Insurance Company, with a \$5,000,000 aggregate limit.

Vehicles are covered by the Wausau National Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability.

Performance bonds of \$20,000 are maintained for the superintendent, the treasurer and the school board president by Wausau National Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 10 - RISK MANAGEMENT (CONTINUED)

C. GROUP HEALTH AND DENTAL INSURANCE

The District provides group life insurance and accidental death and dismemberment insurance to its employees. Life insurance is provided through the Medical Life and Insurance Company.

The District has contracted with Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical and dental benefits for its employees and their covered dependents. LEEP is a shared risk pool comprised of thirteen school districts with Lorain County.

The participating districts pay monthly contributions that are placed in a common fund, from which eligible claims and expenses are paid for employees (and their covered dependents) of participating school districts. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$125,000 per participant.

Premium contributions are determined annually based on the claims experience of the individual districts. Premiums can be increased or decreased by up to 15% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating districts' claims would be paid without regard to their individual account balances. The LEEP Board of Directors has authority to return monies to an exiting district subsequent to the settlement of all claims and expenses. This plan provides a medical/surgical and dental plan with a \$100 deductible for family coverage and \$50 deductible for single coverage.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement system discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains five Enterprise funds to account for the operations of Food Services, Uniform School Supplies, Special Services Rotary, Recreation, and Special Enterprises. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS (CONTINUED)

	<u>Food</u> <u>Service</u>	<u>Uniform</u> <u>School</u> <u>Supplies</u>	<u>Rotary</u>	<u>Recreation</u>	<u>Special</u> <u>Enterprise</u>	<u>Total</u>
For the Year Ended						
<u>June 30, 2002:</u>						
Operating Revenue	\$ 435,553	\$ 74,660	\$ 8,585	\$ 5,952	\$ 36,706	\$ 561,456
Depreciation Expense	7,675	-	-	-	-	7,675
Operating Income						
(Loss)	(221,831)	(11,337)	(23,429)	(35,611)	25,489	(266,719)
Operating Transfers - In	-	12,800	6,720	7,205	-	26,725
Operating Transfers -						
Out	-	-	-	-	29,416	29,416
Net Income (Loss)	(40,518)	1,463	(16,709)	(16,284)	3,582	(68,466)
<u>As of June 30, 2002:</u>						
Net Working Capital	13,595	9,506	(22,382)	(22,614)	48,204	26,309
Total Assets	180,856	9,506	-	2,250	53,448	246,060
Total Fund Equity	110,678	9,506	(22,382)	(22,614)	48,204	123,392

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent of annual covered payroll for 2002; 5.5 percent 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 \$423,512, \$411,882, and \$456,149, respectively; 45 percent has been contributed for fiscal year 2002, 51 percent for the fiscal year 2001 and 100 percent for the fiscal year 2000. \$234,240, 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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

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 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent 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 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,378,046, \$1,308,048, and \$1,525,260, respectively; 83 percent has been contributed for fiscal year 2002, 82 percent for the fiscal year 2001 and 100 percent for the fiscal year 2000. \$239,024 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 the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 7.65 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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 are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$442,943 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 billion at June 30, 2001. As of July 1, 2001, eligible benefit recipients totaled 102,132. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 8.45 percent for fiscal 2000. 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 2001, 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.

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 \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$329,980 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 GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - 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).

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

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:

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Service Fund</u>	<u>Capital Projects Fund</u>
Budget Basis	\$ (558,440)	\$ (1,954,832)	\$ (81,288)	\$ (2,696,242)
Net Adjustment for Revenue				
Accruals	1,607,411	198,512	1,825	155,149
Net Adjustment for Expenditure				
Accruals	(500,272)	27,898	3,038	(1,756,825)
Current Year Encumbrances	615,484	33,531	-	654,136
Prior Year Encumbrances	744,364	32,858	-	1,941,389
GAAP Basis	\$ <u>1,908,547</u>	\$ <u>(1,662,033)</u>	\$ <u>(76,425)</u>	\$ <u>(1,702,393)</u>

NOTE 15 - CONTINGENT LIABILITIES

A. GRANTS

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

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.

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

C. SCHOOL FUNDING DECISION

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

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

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

Board of Education
Midview Local School District
Grafton, Ohio

We have audited the general-purpose financial statements of the Midview Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 20, 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 the Midview Local School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Items 2002-01 and 2002-02. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Midview Local School District in a separate letter dated November 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Midview 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 we have reported to management of the Midview Local School District in a separate letter dated November 20, 2002.

This report is intended solely for the information and use of the Midview Local School District's Board of Education, management, finance committee, the Auditor of State's Office, 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.

Cini & Panichi, Inc.

Cleveland, Ohio
November 20, 2002

**Report On Compliance With Requirements Applicable To Each
Major Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133**

Board of Education
Midview Local School District
Grafton, Ohio

Compliance

We have audited the compliance of the Midview 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 of its major federal programs for the year ended June 30, 2002. The Midview 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 of its major federal programs is the responsibility of the Midview Local School District's management. Our responsibility is to express an opinion on the Midview 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Midview 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 of the Midview Local School District's compliance with those requirements.

In our opinion, the Midview Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Midview 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 the Midview 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 the 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.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the Midview Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 20, 2002. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended solely for the information and use of the Midview Local School District's Board of Education, management, finance committee, the Auditor of State's Office, 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.

Cinni & Panichi, Inc.

Cleveland, Ohio
November 20, 2002

MIDVIEW LOCAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Non-Cash Receipts	Total Awards Expended	Non-Cash Expenditures
U.S. Department of Agriculture:						
Pass-Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$ -	\$ 51,337	\$ -	\$ 50,565
National School Lunch Program	10.555	N/A	<u>144,729</u>	<u>-</u>	<u>144,729</u>	<u>-</u>
Total U.S. Department of Agriculture – Nutrition Cluster			<u>144,729</u>	<u>51,337</u>	<u>144,729</u>	<u>50,565</u>
U.S. Department of Education:						
Pass-Through Ohio Department of Education:						
Title VI-B – Education of Handicapped Children	84.027	6B-SF-01P 6B-SF-02P	88,433 66,912	- -	62,439 136,139	- -
Chapter I – Education Consolidation and Improvement Act	84.010	C1-S1-2001 C1-S1-2002	- 35,663	- -	56,509 179,155	- -
Title VI – Innovative Education Program Strategies	84.298	C2-S1-2001 C2-S1-2002	13,335 4,941	- -	6,438 11,413	- -
Drug Free Schools Grant	84.186	DR-S1-2000 DR-S1-2001 DR-S1-2002	- 9,538 2,844	- - -	67 9,962 12,100	- - -
Eisenhower Professional Development State Grant	84.281	MS-S1-2000 MS-S1-2001 MS-S1-2002	- 1,129 12,970	- - -	2,725 11,293 6,116	- - -
Class Size Reduction	84.340	CR-S1-2001 CR-S1-2002	48,769 17,936	- -	16,746 40,459	- -
Comprehensive School Reform Demonstration Goals 2000	84.332 84.276	RF-S2-2001 G2-S4-1998	30,000 -	- -	30,558 4,231	- -
School Renovation Grants	84.352A	AT-S1-2002	<u>790</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education			<u>333,260</u>	<u>-</u>	<u>586,350</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>477,989</u>	\$ <u>51,337</u>	\$ <u>731,079</u>	\$ <u>50,565</u>

The accompanying notes are an integral part of this schedule

MIDVIEW LOCAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2002

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Midview Local School District (the "District").

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting. The District's expenditures for the year ended June 30, 2002 as reported on the Schedule reflect federal expenditures only and do not include matching expenditures.

NOTE 3 – COMMODITIES

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

The accompanying notes are an integral part of this schedule

MIDVIEW LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS OMB CIRCULAR A-133 SECTION .505

JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Chapter I – Education Consolidation and Improvement Act, CFDA No. 84.010
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

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

2002-1 Ohio Revised Code 5705.41(B) states that no subdivision or taking unit is to expend money unless it has been appropriated.

At June 30, 2002, the District had expenditures in excess of appropriations as follows:

	<u>Excess</u>
Special Revenue Funds:	
Emergency Fund	\$ 1,489,852
Public School Fund	49,318
District Managed Activity	37,026
Title I	156,392
Title VI-B	87,427
Family and School Partnership	<u>36,433</u>
Total Special Revenue Funds	\$ <u>1,856,448</u>

MIDVIEW LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS (CONTINUED) OMB CIRCULAR A-133 SECTION .505

JUNE 30, 2002

	<u>Excess</u>
Capital Projects Funds:	
Permanent Improvement	\$ 1,354,474
Building	2,275,059
School Net	<u>76,659</u>
Total Capital Projects Funds	\$ <u>3,706,192</u>

2002-2 Ohio Revised Code 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures.

At June 30, 2002 the District had appropriations in excess of the Certificate of Estimated Resources for the following funds:

	<u>Excess</u>
Special Revenue Fund:	
Emergency Levy	48,786
Capital Projects Funds:	
Permanent Improvement	207,605
Building	68,622
School Net	<u>21,638</u>
Total Capital Projects Funds:	\$ <u>297,865</u>

3. FINDINGS FOR FEDERAL AWARDS

None.

MIDVIEW LOCAL SCHOOL DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS OMB CIRCULAR A-133 SECTION .505

JUNE 30, 2002

Finding No.	Finding Summary	Fully Corrected	Explanation
2001-1	<p>Ohio Rev. Code 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.</p> <p>At June 30, 2001, the District had expenditures in excess of appropriations in some funds. This condition resulted in the District overspending its authorized appropriations.</p>	No	The District had non-compliance in this area again at June 30, 2002.

MIDVIEW LOCAL SCHOOL DISTRICT
1097 ELM STREET
GRAFTON, OHIO 44044-1499
(440) 926-3785

Response to Findings Associated With
Audit Conducted in Accordance with *Government Auditing Standards*
for the Year Ended June 30, 2002

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-1	Management will monitor expenditures to ensure that they do not exceed appropriations.	N/A	Floyd Parsson, Treasurer
2002-2	Management will monitor appropriations to ensure that they do not exceed estimated revenues.	N/A	Floyd Parsson, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

MIDVIEW LOCAL SCHOOL DISTRICT

LORAIN 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 9, 2003**