



**Auditor of State  
Betty Montgomery**



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Mississinawa Valley Local School District, Darke County (the District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

February 9, 2004

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003**

	<b>Governmental</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$275,384	\$289,823	\$96,408	\$335,436
Cash and Cash Equivalents:				
In Segregated Accounts		510		
With Fiscal Agents		2,554		
With Escrow Agents	81,550			240
Receivables:				
Property and Other Taxes	946,028	22,683	143,235	64,317
Income Taxes	172,000			
Accounts	946			
Intergovernmental	38,599	45,229		
Accrued Interest	630			
Due From Other Funds				
Prepaid Items	24,567			
Inventory Held for Resale				
Inventory of Supplies and Materials	7,258			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	163,680			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
<b>Total Assets and Other Debits</b>	<u>1,710,642</u>	<u>360,799</u>	<u>239,643</u>	<u>399,993</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	39,586	14,145		7,875
Contracts Payable	32,087			286,271
Retainage Payable	81,550			39,488
Accrued Wages and Benefits Payable	475,543	45,195		
Due to Other Funds		3,928		
Intergovernmental Payable	103,293	9,104		
Due to Students				
Undistributed Assets				
Deferred Revenue	896,997	39,355	127,689	57,233
Compensated Absences Payable	3,719			
Special Termination Benefit Payable	7,200			
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>1,639,975</u>	<u>111,727</u>	<u>127,689</u>	<u>390,867</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	122,138	45,552		21,546
Reserved for Property Taxes	103,420	2,450	15,546	7,084
Reserved for Budget Stabilization	15,614			
Reserved for Textbooks and Instructional Materials	128,024			
Reserved for Bus Purchases	20,042			
Reserved for Donations				
Designated for Textbooks and Instructional Materials	21,083			
Unreserved, Undesignated (Deficit)	(339,654)	201,070	96,408	(19,504)
<b>Total Fund Equity and Other Credits</b>	<u>70,667</u>	<u>249,072</u>	<u>111,954</u>	<u>9,126</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$1,710,642</u>	<u>\$360,799</u>	<u>\$239,643</u>	<u>\$399,993</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$114,272	\$434,396			\$1,545,719
				510
				2,554
				81,790
				1,176,263
6,813				172,000
				7,759
				83,828
				630
3,928				3,928
				24,567
2,528				2,528
717				7,975
				163,680
78,635		19,987,935		20,066,570
			111,954	111,954
			2,015,837	2,015,837
<u>206,893</u>	<u>434,396</u>	<u>19,987,935</u>	<u>2,127,791</u>	<u>25,468,092</u>
669	4,420			66,695
				318,358
				121,038
17,153				537,891
				3,928
16,702			39,844	168,943
	39,915			39,915
	1,063			1,063
				1,121,274
10,170			284,230	298,119
			9,600	16,800
			24,270	24,270
			1,769,847	1,769,847
<u>44,694</u>	<u>45,398</u>		<u>2,127,791</u>	<u>4,488,141</u>
		19,987,935		19,987,935
78,635				78,635
83,564				83,564
				189,236
				128,500
				15,614
				128,024
				20,042
	373,584			373,584
				21,083
	15,414			(46,266)
<u>162,199</u>	<u>388,998</u>	<u>19,987,935</u>		<u>20,979,951</u>
<u>\$206,893</u>	<u>\$434,396</u>	<u>\$19,987,935</u>	<u>\$2,127,791</u>	<u>\$25,468,092</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Revenues:</b>					
Property and Other Taxes	\$932,925	\$22,358	\$140,455	\$63,392	\$1,159,130
Income Taxes	448,576				448,576
Tuition and Fees	154,117				154,117
Interest	35,235			15,036	50,271
Intergovernmental	3,175,345	491,064	18,454	158,679	3,843,542
Gifts and Donations	2,900				2,900
Extracurricular Activities		125,343			125,343
Rent	5,145				5,145
Miscellaneous	8,166				8,166
<b>Total Revenues</b>	<u>4,762,409</u>	<u>638,765</u>	<u>158,909</u>	<u>237,107</u>	<u>5,797,190</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,201,601	88,189			2,289,790
Special	543,681	201,747			745,428
Vocational	153,379	400			153,779
Support Services:					
Pupils	95,148	124,021			219,169
Instructional Staff	273,568	101,955		14,913	390,436
Board of Education	12,767				12,767
Administration	543,688	63,197			606,885
Fiscal	176,821	4,463	3,169	3,225	187,678
Business	4,586				4,586
Operation and Maintenance of Plant	571,141	3,807		107,387	682,335
Pupil Transportation	289,563	536		1,213	291,312
Central	12,825				12,825
Extracurricular Activities	116,553	71,805			188,358
Capital Outlay				1,706,051	1,706,051
Debt Service:					
Principal Retirement	47,954		60,000		107,954
Interest and Fiscal Charges	3,082		95,015		98,097
<b>Total Expenditures</b>	<u>5,046,357</u>	<u>660,120</u>	<u>158,184</u>	<u>1,832,789</u>	<u>7,697,450</u>
Excess of Revenues Over (Under) Expenditures	(283,948)	(21,355)	725	(1,595,682)	(1,900,260)
<b>Other Financing Sources:</b>					
Proceeds from Sale of Fixed Assets	39,121				39,121
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(244,827)	(21,355)	725	(1,595,682)	(1,861,139)
Fund Balances at Beginning of Year	<u>315,494</u>	<u>270,427</u>	<u>111,229</u>	<u>1,604,808</u>	<u>2,301,958</u>
<b>Fund Balances at End of Year</b>	<u>\$70,667</u>	<u>\$249,072</u>	<u>\$111,954</u>	<u>\$9,126</u>	<u>\$440,819</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property and Other Taxes	\$924,470	\$924,470	
Income Taxes	468,369	468,369	
Tuition and Fees	148,689	148,689	
Interest	37,070	37,070	
Intergovernmental	3,170,438	3,170,438	
Gifts and Donations	2,900	2,900	
Extracurricular Activities	0	0	
Rent	4,950	4,950	
Miscellaneous	2,394	2,394	
<b>Total Revenues</b>	<b>4,759,280</b>	<b>4,759,280</b>	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,000,358	1,988,684	11,674
Special	628,062	554,656	73,406
Vocational	160,858	148,638	12,220
Other	268,500	268,374	126
Support Services:			
Pupils	116,866	100,109	16,757
Instructional Staff	342,274	291,521	50,753
Board of Education	21,975	13,214	8,761
Administration	576,917	533,586	43,331
Fiscal	180,577	184,011	(3,434)
Business	6,110	5,188	922
Operation and Maintenance of Plant	564,105	569,357	(5,252)
Pupil Transportation	424,155	343,309	80,846
Central	18,649	12,803	5,846
Extracurricular Activities	121,279	117,068	4,211
Capital Outlay			
Debt Service:			
Principal Retirement	50,000	47,954	2,046
Interest and Fiscal Charges	4,000	3,082	918
<b>Total Expenditures</b>	<b>5,484,685</b>	<b>5,181,554</b>	<b>303,131</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(725,405)</b>	<b>(422,274)</b>	<b>303,131</b>
<b>Other Financing Sources:</b>			
Refund of Prior Year Expenditures	7,431	7,431	
Proceeds from Sale of Fixed Assets	39,121	39,121	
<b>Total Other Financing Sources</b>	<b>46,552</b>	<b>46,552</b>	
<b>Excess of Revenues and Other Financing Sources Under Expenditures</b>	<b>(678,853)</b>	<b>(375,722)</b>	<b>303,131</b>
Fund Balances at Beginning of Year	491,234	491,234	
Prior Year Encumbrances Appropriated	124,288	124,288	
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$63,331)</b>	<b>\$239,800</b>	<b>\$303,131</b>

*See Accompanying Notes to the General Purpose Financial Statements.*

Special Revenue Funds			Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$22,259	\$22,259		\$139,485	\$139,485		\$62,675	\$62,675	
486,633	486,633		18,454	18,454		18,224	19,554	1,330
125,893	125,893					149,249	158,679	9,430
634,785	634,785		157,939	157,939		230,148	240,908	10,760
120,088	94,937	25,151						
258,761	226,950	31,811						
651	400	251						
2,270	127	2,143						
141,932	137,242	4,690						
148,318	124,747	23,571				21,400	17,313	4,087
76,009	65,254	10,755						
4,850	4,567	283	3,650	3,169	481	3,800	3,225	575
9,179	8,647	532				126,087	125,212	875
3,480	536	2,944				1,750	1,251	499
110,908	75,676	35,232						
						3,507,189	2,501,957	1,005,232
			60,000	60,000				
			95,050	95,015	35			
876,446	739,083	137,363	158,700	158,184	516	3,660,226	2,648,958	1,011,268
(241,661)	(104,298)	137,363	(761)	(245)	516	(3,430,078)	(2,408,050)	1,022,028
(241,661)	(104,298)	137,363	(761)	(245)	516	(3,430,078)	(2,408,050)	1,022,028
284,966	284,966		96,653	96,653		458,403	458,403	
49,049	49,049					2,107,330	2,107,330	
\$92,354	\$229,717	\$137,363	\$95,892	\$96,408	\$516	(\$864,345)	\$157,683	\$1,022,028

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY/FUND BALANCES  
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$169,890		\$169,890
Interest		6,221	6,221
Other	9,544		9,544
Total Operating Revenues	<u>179,434</u>	<u>6,221</u>	<u>185,655</u>
<b>Operating Expenses:</b>			
Salaries and Wages	101,807		101,807
Fringe Benefits	33,623		33,623
Purchased Services	3,132		3,132
Supplies and Materials	23,515		23,515
Cost of Sales	123,142		123,142
Other Operating Expenses	6,877	800	7,677
Total Operating Expenses	<u>292,096</u>	<u>800</u>	<u>292,896</u>
Operating Income (Loss)	<u>(112,662)</u>	<u>5,421</u>	<u>(107,241)</u>
<b>Non-Operating Revenues:</b>			
Interest	199		199
Federal and State Subsidies	114,926		114,926
Federal Donated Commodities	16,782		16,782
Total Non-Operating Revenues	<u>131,907</u>		<u>131,907</u>
Net Income	19,245	5,421	24,666
Retained Earnings/Fund Balances at Beginning of Year - Restated (Note 3)	<u>64,319</u>	<u>383,577</u>	<u>447,896</u>
Retained Earnings/Fund Balances at End of Year	<u>83,564</u>	<u>388,998</u>	<u>472,562</u>
Contributed Capital at Beginning of Year	0	0	0
Current Capital Contributions	<u>78,635</u>	<u>0</u>	<u>78,635</u>
Contributed Capital at End of Year	<u>78,635</u>	<u>0</u>	<u>78,635</u>
<b>Total Fund Equity</b>	<u><u>\$162,199</u></u>	<u><u>\$388,998</u></u>	<u><u>\$551,197</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Enterprise Funds			Nonexpendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Sales	\$167,980	\$167,980				
Interest	191	191		6,250	6,250	
Federal and State Subsidies	114,926	114,926				
Refund of Prior Year Expense	95	95				
Other	9,544	9,544				
Total Revenues	292,736	292,736		6,250	6,250	
<b>Expenses:</b>						
Salaries and Wages	110,100	98,692	11,408			
Fringe Benefits	43,571	34,332	9,239			
Purchased Services	3,640	3,898	(258)			
Supplies and Materials	138,689	115,911	22,778			
Capital Outlay	28,720	18,718	10,002			
Other Operating Expenses	7,370	6,745	625	13,000	12,500	500
Total Expenses	332,090	278,296	53,794	13,000	12,500	500
Excess of Revenues Over (Under) Expenses	(39,354)	14,440	53,794	(6,750)	(6,250)	500
Fund Equity at Beginning of Year	79,295	79,295		393,626	393,626	
Prior Year Encumbrances Appropriated	15,384	15,384		500	500	
Fund Equity at End of Year	\$55,325	\$109,119	\$53,794	\$387,376	\$387,876	\$500

*See Accompanying Notes to the General Purpose Financial Statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$168,075		\$168,075
Cash Received from Other Operating Receipts	9,544		9,544
Cash Payments for Employee Services and Benefits	(133,024)		(133,024)
Cash Payments to Suppliers for Goods and Services	(133,416)		(133,416)
Cash Payments for Other Operating Expenses	(6,745)	(11,750)	(18,495)
Net Cash Used In Operating Activities	(95,566)	(11,750)	(107,316)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Federal and State Subsidies Received	114,926		114,926
<b>Cash Flows from Investing Activities:</b>			
Interest	199	6,221	6,420
Net Increase (Decrease) in Cash and Cash Equivalents	19,559	(5,529)	14,030
Cash and Cash Equivalents Beginning of Year	94,713	394,527	489,240
Cash and Cash Equivalents End of Year	<u>\$114,272</u>	<u>\$388,998</u>	<u>\$503,270</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:</b>			
Operating Income (Loss)	(\$112,662)	\$5,421	(\$107,241)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:</b>			
Donated Commodities Used	17,682		17,682
Nonexpendable Trust Funds Interest		(6,221)	(6,221)
<b>Changes in Assets and Liabilities:</b>			
Increase in Accounts Receivable	(864)		(864)
Increase in Due from Other Funds	(951)		(951)
Increase in Inventory Held for Resale	(1,945)		(1,945)
Decrease in Inventory of Supplies and Materials	195		195
Increase (Decrease) in Accounts Payable	573	(10,950)	(10,377)
Increase in Accrued Wages and Benefits Payable	3,354		3,354
Decrease in Intergovernmental Payable	(1,755)		(1,755)
Increase in Compensated Absences Payable	807		807
Net Cash Used In Operating Activities	<u>(\$95,566)</u>	<u>(\$11,750)</u>	<u>(\$107,316)</u>

**Non-Cash Transaction:**

During fiscal year 2003, the Food Service Enterprise Fund received donated commodities of \$16,782.

During fiscal year 2003, the Classroom Facilities Capital Projects Fund purchased equipment with a value of \$78,635 for the Food Service Enterprise Fund.

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

Cash and Cash Equivalents-All Fiduciary Funds	\$434,396
Cash and Cash Equivalents-Agency Fund	(45,398)
Cash and Cash Equivalents-Nonexpendable Trust Funds	<u>\$388,998</u>

See Accompanying Notes to the General Purpose Financial Statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

**A. Reporting Entity:**

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

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

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 17 and 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**1. Governmental Fund Types**

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

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

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Proprietary Fund Type**

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

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

**3. Fiduciary Fund Types**

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

**4. Account Groups**

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

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

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All enterprise funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types and nonexpendable trust funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The accrual basis of accounting is followed for the proprietary funds and nonexpendable trust funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income tax, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Notes 7 and 8.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

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

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

**1. Tax Budget**

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

**2. Estimated Resources**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriations, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, monthly supplemental appropriations were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the original appropriation amounts adopted during the current fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds, other the agency fund and the Title VI-B and grant special revenue fund, consistent with statutory provisions.

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

During fiscal year 2003, the School District's only investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$35,235, which includes \$10,608 assigned from other School District funds.

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

**E. Interfund Assets/Liabilities**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

**G. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of proprietary funds consist of purchased food and non-food supplies. All inventory is expended/expensed when used.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Restricted Assets**

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

**I. Fixed Assets and Depreciation**

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten years, with no depreciation being taken in the year of acquisition. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**J. Compensated Absences**

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

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**L. Interfund Transactions**

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

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, textbooks and instructional materials, bus purchases, and donations for endowments. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments represents principal in the nonexpendable trust fund.

**N. Fund Designations**

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. The designation is part of unreserved fund balance. This designation arises when amounts set aside for textbooks and instructional materials, capital acquisition or budget stabilization exceed the statutory required amount. The amount designated for textbooks and instructional materials this fiscal year for the School District is \$21,083.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**P. Estimates**

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

**Q. Total Columns on General Purpose Financial Statements**

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

**3. PRIOR PERIOD ADJUSTMENT**

The School District increased the fixed assets capitalization threshold for fiscal year 2003 from three hundred dollars to five thousand dollars. Retained earnings in the enterprise funds at June 30, 2002, decreased by \$4,066 from \$68,385 to \$64,319. Fixed assets in the general fixed assets account group decreased by \$1,662,527 from \$19,627,352 to \$17,964,825.

Net income for the enterprise funds as previously reported for fiscal year 2002 increased by \$981 from \$10,426 to \$11,407.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had deficit fund balances at June 30, 2003:

	Deficit Fund Balance
Special Revenue Fund:	
Title VI	\$628
Capital Projects Fund:	
Classroom Facilities	44,354

The general fund provides transfers to cover deficit balances; however, this is done when cash is needed, rather than when accruals occur.

**B. Compliance**

In the general fund, fiscal and operation and maintenance of plant had excesses of expenditures plus encumbrances over appropriations of \$3,434 and \$5,252 respectively for the fiscal year ended June 30, 2003.

The following funds had appropriations in excess of estimated revenues and available balances for the fiscal year ended June 30, 2003:

Fund Types/Funds	Estimated Revenue and Available Balances	Appropriations	Excess
General Fund	\$5,421,354	\$5,484,685	(\$63,331)
Special Revenue Funds:			
Student Activities	88,656	110,908	(22,252)
Title I	261,782	289,730	(27,948)
Pass-Thru Grant	5,630	7,500	(1,870)
Title II-A	49,475	63,293	(13,818)
Capital Projects Fund:			
Classroom Facilities	2,598,847	3,508,039	(909,192)

**5. BUDGETARY BASIS OF ACCOUNTING**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The School District does not budget for a portion of the activities of the title VI-B grant special revenue fund administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Mississinawa Valley Local School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. The amounts are included as revenue on the GAAP basis operating statements.

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

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$244,827)	(\$21,355)	\$725	(\$1,595,682)
Revenue Accruals	7,878	(2,959)	(970)	21,728
Expenditure Accruals	57,008	(16,302)	0	(636,755)
Nonbudgeted Funds	0	(2,696)	0	0
Unrecorded Cash FY02	(1,749)	1,675	0	(17,705)
Unrecorded Cash FY03	(1,827)	0	0	(223)
Prepaid Items	5,232	0	0	(1,643)
Encumbrances	(197,437)	(62,660)	0	(177,770)
Budget Basis	<u>(\$375,722)</u>	<u>(\$104,298)</u>	<u>(\$245)</u>	<u>(\$2,408,050)</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Net Income /Excess of Revenues Over (Under) Expenses  
Enterprise Funds and Nonexpendable Trust Funds**

	<b>Enterprise</b>	<b>Nonexpendable Trust</b>
GAAP Basis	\$19,245	\$5,421
Revenue Accruals	(1,815)	0
Expense Accruals	3,369	(10,950)
Inventory of Supplies and Materials	(195)	0
Inventory Held for Resale	(1,945)	0
Donated Commodities	900	0
Unrecorded Cash FY02	34	401
Unrecorded Cash FY03	(42)	(372)
Depreciation	0	0
Encumbrances	(5,111)	(750)
Budget Basis	\$14,440	(\$6,250)

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

**Cash on Hand:** At fiscal year-end, the School District had \$90 in undeposited cash on hand which is included on the balance sheet of the School District as part of "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."

At June 30, 2003, the School District had "Cash and Cash Equivalents with Fiscal Agents" in the special revenue funds of \$2,554. The money is held by the Darke County Educational Center, which is the fiscal agent of several other school districts and cannot be classified by risk under GASB Statement No. 3. The classification of cash and cash equivalents for the Darke County Educational Service Center as a whole can be obtained by writing Emiko Augsburger at the Darke County Educational Service Center, 5279 Education Drive, Greenville, Ohio 45331.

**Deposits** - At fiscal year-end, the carrying amount of the School District's deposits was \$1,550,457 and the bank balance was \$1,620,350. Of the bank balance:

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

1. \$200,000 was covered by federal depository insurance; and
2. \$1,420,350 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in STAR Ohio had a carrying and fair value of \$241,152 at June 30, 2003.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 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 financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$1,794,253	\$0
Cash held with the Darke County Educational Service Center	(2,554)	0
Cash on Hand	(90)	0
Investment:		
Star Ohio	(241,152)	241,152
GASB Statement No. 3	\$1,550,457	\$241,152

**7. PROPERTY TAXES**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2001. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

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

The amount available as an advance at June 30, 2003 was \$103,420 in the general fund, \$2,450 in the classroom facilities maintenance special revenue fund, \$15,546 in the bond retirement debt service fund and \$7,084 and in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$94,964 in the general fund, \$2,351 in the classroom facilities maintenance special revenue fund, \$14,576 in the bond retirement debt service fund and \$6,367 in the permanent improvement capital projects fund.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. PROPERTY TAXES (Continued)**

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

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/ Residential and Other Real Estate	\$46,148,690	91.60%	\$46,498,900	91.94%
Public Utility Personal	2,379,230	3.68	2,060,080	4.07
Tangible Personal Property	1,853,550	4.72	2,017,600	3.99
<b>Total</b>	<b><u>\$50,381,470</u></b>	<b><u>100.00%</u></b>	<b><u>\$50,576,580</u></b>	<b><u>100.00%</u></b>

Tax rate per \$1,000 of assessed valuation	\$35.59	\$35.59
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**8. INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The first 0.50 percent tax was effective on January 1, 1990, while the second 0.50 percent tax was effective on January 1, 2000, and both are continuing taxes. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund during fiscal year 2003 was \$448,576.

**9. RECEIVABLES**

Receivables at June 30, 2003, consisted of taxes, accounts, intergovernmental, accrued interest and due from other funds. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

<b>Intergovernmental Receivables</b>	<b>Amounts</b>
General Fund:	<u>\$38,599</u>
Special Revenue Funds:	
Title VI-B Grant	10,428
Title I Grant	20,424
Title VI-B Early Childhood Development Grant	560
Title II-A Grant	13,817
Total Special Revenue Funds	<u>45,229</u>
Total All Funds	<u><u>\$83,828</u></u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$78,635
Less: Accumulated Depreciation	<u>0</u>
Net Fixed Assets	<u><u>\$78,635</u></u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Restated Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Land and Improvements	\$109,948	\$1,362,955	\$0	\$1,472,903
Buildings	1,827,084	15,348,737	145,096	17,030,725
Vehicles	527,565	68,000	32,718	562,847
Furniture and Equipment	571,978	474,842	125,360	921,460
Construction in Progress	14,928,250	0	14,928,250	0
Total General Fixed Assets	<u>\$17,964,825</u>	<u>\$17,254,534</u>	<u>\$15,231,424</u>	<u>\$19,987,935</u>

The School District completed construction of the new school building during fiscal year 2003. The \$14,928,250 in construction in progress at the beginning of the fiscal year was reclassified to buildings during the fiscal year and does not represent new additions to fixed assets.

**11. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the School District contracted with Mangas Insurance for property and fleet, general liability, boiler and machinery, crime, and inland marine insurance.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$5,000 deductible)	\$19,360,000
Inland Marine Coverage (\$100 deductible)	174,372
Boiler and Machinery (\$500 deductible)	No limit
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	300,000
General Liability	
Per occurrence	500,000
Total per year	1,500,000

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

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

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$77,051, \$42,310, and \$27,796 respectively; 56.70 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$327,914, \$221,615 and \$230,281 respectively; 84.87 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,442 made by the School District and \$6,611 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$25,224 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$69,821.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to classified employees through the Community Life Insurance Company, and medical, surgical, dental and vision insurance through Anthem PPO Blue Cross Blue Shield to all employees.

**C. Special Termination Benefit**

The School District offers a special termination benefit to all certified employees who retire under the State Teachers Retirement System of Ohio. The benefit is \$7,200 payable in three yearly installments of \$2,400 each year. To be eligible for the benefit, the employee must notify the Board of Education by May 1 of the year that they will retire, retire within 90 days of May 1, have proof from the State Teachers Retirement System of Ohio of retirement, and must have worked as a certified employee for a minimum of ten years at the School District. The amount payable at June 30, 2003 was \$16,800.

**D. Deferred Compensation Plan**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

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

	<u>Amount Outstanding 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/03</u>
Energy Conservation Loan 1993 5.10%	\$72,224	\$0	\$47,954	\$24,270
Classroom Facilities Bonds 2000 4.80 – 6.00%	1,820,468	9,379	60,000	1,769,847
Total Long-Term Debt	<u>1,892,692</u>	<u>9,379</u>	<u>107,954</u>	<u>1,794,117</u>
Other Long Term Obligations:				
Intergovernmental	38,023	39,844	38,023	39,844
Compensated Absences	257,900	26,330	0	284,230
Special Termination Benefit Payable	28,800	0	19,200	9,600
Total Other Long Term Obligations	<u>324,723</u>	<u>66,174</u>	<u>57,223</u>	<u>333,674</u>
Total General Long-Term Obligations	<u>\$2,217,415</u>	<u>\$75,553</u>	<u>\$165,177</u>	<u>\$2,127,791</u>

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

**Classroom Facilities General Obligation Bonds** - The School District issued bonds in the amount of \$1,969,998 for the purpose of building new school facilities. Of these bonds, \$930,000 are serial bonds, with maturity dates of December 1, 2000 to December 1, 2011. \$990,000 are term bonds with a maturity date of December 1, 2022. \$49,998 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2012, 2013, and 2014. The maturity amount is \$100,000 for each year. The capital appreciation bonds were accreted \$9,379 in fiscal year 2003. The term bonds maturing on December 1, 2022 will be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2015	\$100,000
2016	105,000
2017	115,000
2018	120,000
2019	125,000
2020	135,000
2021	140,000

The remaining \$150,000 principal amount of the bonds will mature at stated maturity on December 1, 2022.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

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

The School District's overall legal debt margin was \$2,893,999, the energy conservation debt margin was \$430,919 and the unvoted debt margin was \$50,577 at June 30, 2003.

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

<b>Classroom Facilities General Obligation Bonds</b>						
<b>Fiscal year Ending June 30,</b>	<b>Serial Bonds</b>		<b>Capital Appreciation Bonds</b>		<b>Term Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2004	\$65,000	\$91,890	\$0	\$0	\$0	\$0
2005	65,000	88,640	0	0	0	0
2006	70,000	85,248	0	0	0	0
2007	75,000	81,567	0	0	0	0
2008	80,000	73,455	0	0	0	0
2009-2013	350,000	193,075	35,507	164,493	0	137,984
2014-2018	0	0	14,491	85,509	320,000	426,829
2019-2023	0	0	0	0	670,000	100,625
<b>Total</b>	<b>\$705,000</b>	<b>\$613,875</b>	<b>\$49,998</b>	<b>\$250,002</b>	<b>\$990,000</b>	<b>\$665,438</b>

<b>Energy Conservation Loan</b>			
<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$24,270	\$621	\$24,891
<b>Total</b>	<b>\$24,270</b>	<b>\$621</b>	<b>\$24,891</b>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$141,716	37,718	\$179,434
Operating Income (Loss)	(114,994)	2,332	(112,662)
Federal and State Subsidies	114,926	0	114,926
Federal Donated Commodities	16,782	0	16,782
Interest	199	0	199
Net Income	16,913	2,332	19,245
Current Contributed Capital	78,635	0	78,635
Net Working Capital	68,574	25,160	93,734
Total Assets	181,264	25,629	206,893
Compensated Absences Payable	10,170	0	10,170
Total Equity	137,039	25,160	162,199
Encumbrances Outstanding at June 30, 2003	4,411	700	5,111

**17. JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Dayton Educational Cooperative Association** - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$23,916 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405

**Southwestern Ohio Educational Purchasing Council** - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2003, the School District paid \$606 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2003, the School District paid \$5,253 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**18. INSURANCE PURCHASING POOL**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**19. SET-ASIDE CALCULATIONS**

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

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

	<u>Textbooks and Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2002	\$123,642	(\$1,966,393)	\$15,614
Current Year Set-aside Requirement	94,061	94,061	0
Current Year Offsets	0	(84,934)	0
Qualifying Disbursements	(89,679)	(2,200)	0
Set-aside Balances Carried Forward to Future Fiscal Years	\$128,024	(\$1,959,466)	\$15,614
Set-aside Reserve Balances as of June 30, 2003	\$128,024	\$0	\$15,614

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward as it represents proceeds of bonds from prior fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$143,638.

**20. INTERFUND ACTIVITY**

The Uniform School Supplies Enterprise Fund and the DPIA Special Revenue Fund had due from other funds and due to other funds in the amount of \$3,928 at June 30, 2003.

**21. CONTINGENCIES**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**22. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Cincinnati Dayton Fire	Classroom Facilities Project	\$5,744
Slagle Mechanical Contractor	Classroom Facilities Project	2,464
American Interiors, Inc.	Classroom Facilities Project	7,000
Virco, Inc.	Classroom Facilities Project	6,100
Total		<u>\$21,308</u>

**23. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**24. SUBSEQUENT EVENT**

During July 2003, the School District entered into a three year loan for equipment. The principal amount was \$218,901 with an interest rate of 3.027%. The School District will pay the loan off in 36 monthly payments of \$6,374, beginning August 28, 2003 and ending on July 28, 2006.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Federal Grantor Pass through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through Ohio Department of Education)</i>						
Title I - Grants to Local Educational Agencies	46672-C1-S1-02	84.010	\$9,727			
	46672-C1-S1-03		200,402		243,253	
<b>Total Title 1</b>			<u>210,129</u>		<u>243,253</u>	
Innovative Education Program Strategies	46672-C2-S1-02	84.298	(398)			
	46672-C2-S1-03		3,871		4,343	
<b>Total Innovative Education Program Strategies</b>			<u>3,473</u>		<u>4,343</u>	
Goals 2000 - State and Local Education Systematic Imp.	46672-G2-S2-01	84.276			127	
Title IID - Technology Literacy Challenge Grant	46672-TJS1-2003	84.318	6,046		5,577	
Class Size Reduction Subsidy	46672-CR-S1-02	84.340	276		6,467	
Assistive Technology Infusion Project	46672-ATS3-2002	84.352A	4,560		4,560	
Title IIA - Improving Teacher Quality	044672-TRS1-2003	84.367	43,008		33,541	
<i>(Passed through Darke County Educational Service Center)</i>						
Drug Free Schools Grant	46672-DR-S1-02	84.186	(546)			
	46672-DR-S1-03		5,440		2,450	
<b>Total Drug Free Schools Grant</b>			<u>4,894</u>		<u>2,450</u>	
<b>Total U.S. Department of Education</b>			<u>272,385</u>		<u>300,318</u>	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed through Ohio Department of Education)</i>						
<b>Nutrition Cluster:</b>						
School Breakfast Program	46672-05PU-02/03	10.553	14,532		14,532	
National School Lunch Program	46672-LLP4-02/03	10.555	94,374		94,374	
Food Distribution / Commodities	N/A	10.550		16,957		16,957
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<u>108,906</u>	<u>16,957</u>	<u>108,906</u>	<u>16,957</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>(Passed thru Ohio Department of Mental Health and Developmental Disabilities)</i>						
Medical Assistance Program	N/A	93.778	1,327		1,327	
<b>Total Department of Health and Human Services</b>			<u>1,327</u>		<u>1,327</u>	
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
<i>(Passed thru Ohio Emergency Management Agency)</i>						
Public Assistance Grant Program	N/A	83.544	782		782	
<b>Total Federal Emergency Management Agency</b>			<u>782</u>		<u>782</u>	
<b>Total Federal Assistance</b>			<u>\$383,400</u>	<u>\$16,957</u>	<u>\$411,333</u>	<u>\$16,957</u>

The accompanying notes are an integral part of this schedule.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

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



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Mississinawa Valley Local School District, Darke County (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 9, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 9, 2004.

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

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

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

**Betty Montgomery**  
Auditor of State

February 9, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

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

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

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

#### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

February 9, 2004

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE YEAR ENDED JUNE 30, 2003**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<b>Nutrition Cluster</b> , CFDA #10.550, 10.553, and 10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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**Auditor of State  
Betty Montgomery**

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2004**