

**MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Minerva Local School District  
Stark County  
401 North Market Street  
Minerva, Ohio 44657

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Minerva Local School District, Stark County, Ohio (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards 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 Minerva Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note A to the general purpose financial statements, the District changed its method of accounting and reporting for its deferred compensation plan as required by Government Accounting Standards Board Statement No. 32.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2000 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.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Jim Petto  
Auditor of State

January 20, 2000

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Minerva Local School District  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$398,224	\$214,499	\$30,167
Receivables			
Taxes	4,850,425	0	0
Accounts	642	507	0
Interest	20	0	0
Intergovernmental	7,190	75,363	0
Interfund	152,650	0	0
Due from Other Funds	0	0	0
Materials and Supplies			
Inventory	38,156	0	0
Prepaid Items	3,679	0	0
Fixed Assets (Net where applicable, of Accumu- lated Depreciation)	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	159,683	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
 Total Assets and Other Debits	<u>\$5,610,669</u>	<u>\$290,369</u>	<u>\$ 30,167</u>

The accompanying notes are an integral part of these statements.

<u>Proprietary</u> <u>Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Account Groups</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Agency</u>	<u>Fixed</u> <u>Assets</u>	<u>Long-Term</u> <u>Obligations</u>	
8,391	\$233,008	\$86,122	\$0	\$0	\$ 970,411
0	0	0	0	0	4,850,425
87	5,254	0	0	0	6,490
0	40	0	0	0	60
20,495	0	0	0	0	103,048
0	0	0	0	0	152,650
0	188,036	0	0	0	188,036
25,117	0	0	0	0	63,273
0	0	0	0	0	3,679
5,529	0	0	7,240,689	0	7,246,218
0	0	0	0	0	159,683
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,780,724</u>	<u>1,780,724</u>
<u>\$59,619</u>	<u>\$426,338</u>	<u>\$86,122</u>	<u>\$7,240,689</u>	<u>\$1,780,724</u>	<u>\$15,524,697</u>



Minerva Local School District.  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1999  
 (Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS:			
Liabilities:			
Accounts Payable	\$48,588	\$10,934	\$104
Accrued Wages and Benefits	1,082,078	30,775	0
Claims Payable	0	0	0
Interfund Payable	0	102,604	50,001
Due to Other Fund	174,662	4,886	0
Intergovernmental Payable	317,959	709	0
Due to Others	0	0	0
Deferred Revenue	4,570,812	0	0
Note Payable	0	0	0
Total Liabilities	<u>6,194,099</u>	<u>149,908</u>	<u>50,105</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings (Deficit)			
Unreserved	0	0	0
Fund Balances (Deficit)			
Reserved for			
Budget Stabilization	159,683	0	0
Encumbrances	254,564	54,296	21,631
Inventory	38,156	0	0
Prepaid Items	3,679	0	0
Taxes	279,613	0	0
Unreserved (Deficit)	<u>(1,319,125)</u>	<u>86,165</u>	<u>(41,569)</u>
Total Fund Equity and Other Credits (Deficit)	<u>(583,430)</u>	<u>140,461</u>	<u>(19,938)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,610,669</u>	<u>\$290,369</u>	<u>\$30,167</u>

The accompanying notes are an integral part of these statements.

<u>Proprietary</u> <u>Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Account Groups</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Agency</u>	<u>Fixed</u> <u>Assets</u>	<u>Long-Term</u> <u>Obligations</u>	
\$ 36	\$0	\$1,489	\$0	\$0	\$ 61,151
66,097	0	0	0	1,378,525	2,557,475
0	104,828	0	0	0	104,828
0	0	45	0	0	152,650
8,488	0	0	0	0	188,036
46,119	0	0	0	57,602	422,389
0	0	84,588	0	0	84,588
0	0	0	0	0	4,570,812
0	0	0	0	344,597	344,597
<u>120,740</u>	<u>104,828</u>	<u>86,122</u>	<u>0</u>	<u>1,780,724</u>	<u>8,486,526</u>
0	0	0	7,240,689	0	7,240,689
(61,121)	321,510	0	0	0	260,389
0	0	0	0	0	159,683
0	0	0	0	0	330,491
0	0	0	0	0	38,156
0	0	0	0	0	3,679
0	0	0	0	0	279,613
0	0	0	0	0	( 1,274,529)
<u>(61,121)</u>	<u>321,510</u>	<u>0</u>	<u>7,240,689</u>	<u>0</u>	<u>7,038,171</u>
<u>\$59,619</u>	<u>\$426,338</u>	<u>\$ 86,122</u>	<u>\$7,240,689</u>	<u>\$1,780,724</u>	<u>\$15,524,697</u>

Minerva Local School District  
 Combined Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999

	Governmental	
	General	Special Revenue
<b>REVENUES:</b>		
Taxes	\$4,955,804	\$0
Tuition and Fees	82,667	0
Intergovernmental	7,293,459	590,410
Interest	50,441	0
Extracurricular Activities	0	230,915
Other	<u>63,791</u>	<u>18,938</u>
<b>Total Revenues</b>	<u>12,446,162</u>	<u>840,263</u>
<b>EXPENDITURES:</b>		
Current		
Instruction		
Regular	6,355,182	77,429
Special	1,098,105	396,651
Vocational	62,807	418
Other	4,699	2,821
Support Services		
Pupil	806,814	35,053
Instructional Staff	346,128	32,670
Board of Education	34,133	0
Administration	1,055,671	21,999
Business	51,112	427
Fiscal	301,021	0
Operation and Maintenance		
of Plant	819,712	905
Pupil Transportation	747,817	2,810
Central	6,009	523
Extracurricular Activities	199,589	174,384
Facilities Acquisition and Construction	136,294	1,200
Debt Service		
Principal Retirement	75,274	0
Interest and Fiscal Charges	<u>17,191</u>	<u>0</u>
<b>Total Expenditures</b>	<u>12,117,558</u>	<u>747,290</u>
Revenues Over (Under) Expenditures	<u>328,604</u>	<u>92,973</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Proceeds From Sale of Notes	108,759	0
Operating Transfers - In	0	0
Operating Transfers - Out	<u>( 50,275)</u>	<u>0</u>
<b>Total Other Financing Sources</b>	<u>58,484</u>	<u>0</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	387,088	92,973
Fund Balances (Deficit) at Beginning of Year	<u>( 970,518)</u>	<u>47,488</u>
Fund Balances (Deficit) at End of Year	<u>(\$ 583,430)</u>	<u>\$140,461</u>

The accompanying notes are an integral part of these statements.

<u>Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Capital Projects</u>	
\$0	\$4,955,804
0	82,667
102,493	7,986,362
0	50,441
0	230,915
0	<u>82,729</u>
<u>102,493</u>	<u>13,388,918</u>

110,966	6,543,577
1,029	1,495,785
0	63,225
0	7,520
0	841,867
5,149	383,947
0	34,133
37	1,077,707
0	51,539
891	301,912
1,760	822,377
0	750,627
0	6,532
0	373,973
432,907	570,401
0	75,274
0	<u>17,191</u>
<u>552,739</u>	<u>13,417,587</u>

(450,246)                      (28,669)

0	108,759
16,060	16,060
0	<u>(50,275)</u>
<u>16,060</u>	<u>74,544</u>

(434,186)	45,875
<u>414,248</u>	<u>(508,782)</u>
<u>\$ (19,938)</u>	<u>\$ (462,907)</u>

Minerva Local School District  
 Combined Statement of Revenues, Expenditures, and Changes  
 in Fund Balances - Budget Basis and Actual  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999  
 General Fund

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Taxes	\$4,861,034	\$4,850,841	(\$10,193)
Tuition and Fees	20,001	26,154	6,153
Intergovernmental	7,256,617	7,295,648	39,031
Interest	48,630	50,421	1,791
Extracurricular Activities	0	0	0
Classroom Materials & Fees	57,505	57,585	80
Other	64,413	64,479	66
<b>Total Revenues</b>	<u>12,308,200</u>	<u>12,345,128</u>	<u>36,928</u>
<b>EXPENDITURES:</b>			
Current			
Instruction			
Regular	6,261,685	6,256,490	5,195
Special	1,167,115	1,180,672	(13,557)
Vocational	62,149	61,731	418
Other	4,969	4,969	0
Support Services			
Pupil	759,660	759,660	0
Instructional Staff	338,163	338,163	0
Board of Education	34,752	34,752	0
Administration	1,052,427	1,050,380	2,047
Fiscal	305,575	305,653	(78)
Business	50,806	50,806	0
Operation and Maintenance			
of Plant	818,805	818,805	0
Pupil Transportation	764,075	727,413	36,662
Central	5,208	5,208	0
Extracurricular Activities	199,648	199,648	0
Facilities Acquisition and			
Construction	277,880	277,880	0
Debt Service			
Principal Retirement and Interest	6,185	6,185	0
<b>Total Expenditures</b>	<u>12,109,102</u>	<u>12,078,415</u>	<u>30,687</u>
Revenues Over (Under) Expenditures	<u>199,098</u>	<u>266,713</u>	<u>67,615</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Advances - In	81,135	81,135	0
Advances - Out	(164,812)	(136,711)	28,101
Proceeds from Notes	108,759	108,759	0
Operating Transfers - In	97,078	68,977	(28,101)
Operating Transfers - Out	(205,782)	(205,782)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(83,622)</u>	<u>(83,622)</u>	<u>0</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	115,476	183,091	67,615
Fund Balances at Beginning of Year	599	599	0
Fund Balances at End of Year	<u>\$116,075</u>	<u>\$183,690</u>	<u>\$67,615</u>

The accompanying notes are an integral part of these statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
624,168	624,427	259	0	0	0
0	0	0	0	0	0
226,425	230,408	3,983	0	0	0
0	0	0	0	0	0
<u>13,945</u>	<u>15,945</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>864,538</u>	<u>870,780</u>	<u>6,242</u>	<u>0</u>	<u>0</u>	<u>0</u>
76,783	76,863	(80)	0	0	0
408,551	414,428	(5,877)	0	0	0
418	418	0	0	0	0
2,921	2,821	100	0	0	0
34,121	34,121	0	0	0	0
48,826	47,229	1,597	0	0	0
0	0	0	0	0	0
22,175	22,175	0	0	0	0
0	0	0	0	0	0
536	536	0	0	0	0
821	821	0	0	0	0
3,420	3,420	0	0	0	0
832	832	0	0	0	0
194,095	196,007	(1,912)	0	0	0
1,200	1,200	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>86,530</u>	<u>86,530</u>	<u>0</u>
<u>794,699</u>	<u>800,871</u>	<u>(6,172)</u>	<u>86,530</u>	<u>86,530</u>	<u>0</u>
<u>69,839</u>	<u>69,909</u>	<u>70</u>	<u>(86,530)</u>	<u>(86,530)</u>	<u>0</u>
95,664	95,514	(150)	0	0	0
(76,217)	(76,217)	0	0	0	0
0	0	0	0	0	0
2,117	2,117	0	86,530	86,530	0
<u>(2,117)</u>	<u>(2,117)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>19,447</u>	<u>19,297</u>	<u>150</u>	<u>86,530</u>	<u>86,530</u>	<u>0</u>
89,286	89,206	80	0	0	0
<u>57,747</u>	<u>57,747</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$147,033</u>	<u>\$146,953</u>	<u>(\$80)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Minerva Local School District  
 Combined Statement of Revenues, Expenditures, and Changes  
 in Fund Balances - Budget Basis and Actual  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999

	<u>Capital Projects Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$0	\$0	\$0
Tuition and Fees	0	0	0
Intergovernmental	443,110	443,110	0
Interest	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Other	0	0	0
Total Revenues	<u>443,110</u>	<u>443,110</u>	<u>0</u>
EXPENDITURES:			
Current			
Instruction			
Regular	132,095	131,186	909
Special	1,029	1,029	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupil	0	0	0
Instructional Staff	128	128	0
Board of Education	0	0	0
Administration	37	37	0
Fiscal	891	891	0
Business	0	0	0
Operation and Maintenance of Plant	2,760	2,760	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Facilities Acquisition and Construction	368,017	368,017	0
Debt Service			
Principal Retirement and Interest	0	0	0
Total Expenditures	<u>504,957</u>	<u>504,048</u>	<u>909</u>
Revenues Over (Under) Expenditures	<u>(61,847)</u>	<u>(60,938)</u>	<u>909</u>
OTHER FINANCING SOURCES (USES):			
Advances - In	50,001	50,001	0
Advances - Out	(13,767)	(13,767)	0
Proceeds from Notes	0	0	0
Operating Transfers - In	16,060	16,060	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	<u>52,294</u>	<u>52,294</u>	<u>0</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,553)	(8,644)	909
Fund Balances at Beginning of Year	<u>17,081</u>	<u>17,081</u>	<u>0</u>
Fund Balances at End of Year	<u>\$7,528</u>	<u>\$8,437</u>	<u>\$909</u>

The accompanying notes are an integral part of these statements.

Totals (Memorandum Only)

<u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
\$4,861,034	\$4,850,841	(\$10,193)
20,001	26,154	6,153
8,323,895	8,363,185	39,290
48,630	50,421	1,791
226,425	230,408	3,983
57,505	57,585	80
<u>78,358</u>	<u>80,424</u>	<u>2,066</u>
<u>13,615,848</u>	<u>13,659,018</u>	<u>43,170</u>
6,470,563	6,464,539	6,024
1,576,695	1,596,129	(19,434)
62,567	62,149	418
7,890	7,790	100
793,781	793,781	0
387,117	385,520	1,597
34,752	34,752	0
1,074,639	1,072,592	2,047
306,466	306,544	(78)
51,342	51,342	0
822,386	822,386	0
767,495	730,833	36,662
6,040	6,040	0
393,743	395,655	(1,912)
647,097	647,097	0
<u>92,715</u>	<u>92,715</u>	<u>0</u>
<u>13,495,288</u>	<u>13,469,864</u>	<u>25,424</u>
<u>120,560</u>	<u>189,154</u>	<u>68,594</u>
226,800	226,650	(150)
(254,796)	(226,695)	28,101
108,759	108,759	0
201,785	173,684	(28,101)
<u>(207,899)</u>	<u>(207,899)</u>	<u>0</u>
<u>74,649</u>	<u>74,499</u>	<u>(150)</u>
195,209	263,653	68,444
<u>75,427</u>	<u>75,427</u>	<u>0</u>
<u>\$270,636</u>	<u>\$339,080</u>	<u>\$68,444</u>



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**Minerva Local School District**  
**Combined Statement of Revenues, Expenses, and Changes**  
**in Retained Earnings - All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
<b>OPERATING REVENUES:</b>			
Tuition and Fees	\$8,052	\$0	\$8,052
Sales	291,303	0	291,303
Charges for Services	0	1,385,919	1,385,919
Interest	<u>-0</u>	<u>5,964</u>	<u>5,964</u>
<b>Total Operating Revenues</b>	<u>299,355</u>	<u>1,391,883</u>	<u>1,691,238</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Wages	232,076	0	232,076
Fringe Benefits	112,504	0	112,504
Claims	0	1,235,717	1,235,717
Contract Services	2,508	0	2,508
Materials and Supplies	226,842	3,049	229,891
Depreciation	616	0	616
Other	<u>438</u>	<u>0</u>	<u>438</u>
<b>Total Operating Expenses</b>	<u>574,984</u>	<u>1,238,766</u>	<u>1,813,750</u>
<b>Operating Income (Loss)</b>	<u>(275,629)</u>	<u>153,117</u>	<u>(122,512)</u>
<b>NON-OPERATING REVENUES:</b>			
Donated Commodities	73,332	0	73,332
Operating Grants	<u>149,519</u>	<u>0</u>	<u>149,519</u>
<b>Total Non-Operating Revenues</b>	<u>222,851</u>	<u>0</u>	<u>222,851</u>
<b>Income (Loss) Before Operating Transfers</b>	(52,778)	153,117	100,339
<b>Operating Transfers - In</b>	<u>34,215</u>	<u>0</u>	<u>34,215</u>
<b>Net Income (Loss)</b>	(18,563)	153,117	134,554
<b>Retained Earnings (Deficit) at Beginning of Year</b>	<u>(42,558)</u>	<u>168,393</u>	<u>125,835</u>
<b>Retained Earnings (Deficit) at End of Year</b>	<u>(\$61,121)</u>	<u>\$321,510</u>	<u>\$260,389</u>

The accompanying notes are an integral part of these statements.

Minerva Local School District  
 Combined Statement of Revenues, Expenses, and Changes  
 in Fund Equity - Budget Basis and Actual  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise Funds</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Sales	\$298,569	\$291,303	\$(7,266)
Operating Grants	148,006	148,006	0
Charges for Services	7,992	8,045	53
Interest	0	0	0
Total Revenues	<u>454,567</u>	<u>447,354</u>	<u>(7,213)</u>
EXPENSES:			
Salaries	220,612	220,612	0
Fringe Benefits	99,603	99,603	0
Purchased Services	2,058	2,058	0
Supplies	160,060	155,646	4,414
Capital Outlay	699	699	0
Other	438	438	0
Total Expenses	<u>483,470</u>	<u>479,056</u>	<u>4,414</u>
Revenues Over (Under) Expenses	<u>(28,903)</u>	<u>(31,702)</u>	<u>(2,799)</u>
OTHER FINANCING SOURCES:			
Operating Transfers - In	34,215	34,215	0
Total Other Financing Sources	<u>34,215</u>	<u>34,215</u>	<u>0</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5,312	2,513	(2,799)
Fund Equity at Beginning of Year	<u>4,496</u>	<u>4,496</u>	<u>0</u>
Fund Equity at End of Year	<u>\$9,808</u>	<u>\$7,009</u>	<u>\$(2,779)</u>

The accompanying notes are an integral part of these statements.

<u>Internal Service Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$0	\$0	\$0	\$298,569	\$291,303	\$(7,266)
0	0	0	148,006	148,006	0
1,341,203	1,351,398	10,195	1,349,195	1,359,443	10,248
5,941	5,941	0	5,941	5,941	0
<u>1,347,144</u>	<u>1,357,339</u>	<u>10,195</u>	<u>1,801,711</u>	<u>1,804,693</u>	<u>2,982</u>
0	0	0	220,612	220,612	0
1,247,316	1,245,882	1,434	1,346,919	1,345,485	1,434
0	0	0	2,058	2,058	0
3,049	3,049	0	163,109	158,695	4,414
0	0	0	699	699	0
0	0	0	438	438	0
<u>1,250,365</u>	<u>1,248,931</u>	<u>1,434</u>	<u>1,733,835</u>	<u>1,727,987</u>	<u>5,848</u>
<u>96,779</u>	<u>108,408</u>	<u>11,629</u>	<u>67,876</u>	<u>76,706</u>	<u>8,830</u>
0	0	0	34,215	34,215	0
0	0	0	34,215	34,215	0
96,779	108,408	11,629	102,091	110,921	8,830
124,495	124,495	0	128,991	128,991	0
<u>\$221,274</u>	<u>\$232,903</u>	<u>\$11,629</u>	<u>\$231,082</u>	<u>\$239,912</u>	<u>\$8,830</u>

Minerva Local School District  
 Combined Statement of Cash Flows - All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 1999

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Enterprise Funds</u>
Cash Flows From Operating Activities:	
Operating Income (Loss)	(\$275,629)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities	
Depreciation	616
Donated Commodities in Cost of Sales	69,322
Change in Assets and Liabilities That Increase (Decrease) Cash Flow From Operations	
Accounts Receivable	( 7)
Materials and Supplies	1,886
Accrued Interest Receivable	0
Intergovernmental Receivable	( 1,513)
Interfund Receivable	0
Accounts Payable	36
Accrued Wages and Benefits	11,464
Claims Payable	0
Intergovernmental Payable	13,271
Interfund Payable	<u>964</u>
Net Cash Provided by (Used in) Operating Activities	<u>(179,590)</u>
Cash Flows From Noncapital Financing Activities:	
Operating Grants Received	149,519
Operating Transfers - In	<u>34,215</u>
Net Cash Provided by Noncapital Financing Activities	<u>183,734</u>
Cash Flow From Capital Activities:	
Purchase of Fixed Asset	<u>( 699)</u>
Net Cash (Used In) Capital Activities	<u>( 699)</u>
Net Increase in Cash and Cash Equivalents	3,445
Cash and Cash Equivalents - Beginning of Year	<u>4,946</u>
Cash and Cash Equivalents - End of Year	<u><u>\$8,391</u></u>
Noncash Capital Investing and Related Financing Activities:	
Donated Commodities Received	\$73,332

The accompanying notes are an integral part of these statements.

<u>Internal Service Fund</u>	<u>Totals (Memorandum Only)</u>
\$153,117	(\$122,512)
0	616
0	69,322
537	530
0	1,886
(23)	(23)
0	( 1,513)
(34,702)	(34,702)
0	36
0	11,464
(10,416)	(10,416)
0	13,271
<u>0</u>	<u>954</u>
<u>108,513</u>	<u>(71,077)</u>
0	149,519
<u>0</u>	<u>34,215</u>
<u>0</u>	<u>183,734</u>
<u>0</u>	<u>( 699)</u>
<u>0</u>	<u>( 699)</u>
108,513	111,958
<u>124,495</u>	<u>129,441</u>
<u>\$233,008</u>	<u>\$ 241,399</u>
\$0	\$73,332

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**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these general purpose financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

**1. DESCRIPTION OF THE ENTITY**

The Minerva Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 2,266. The District employed 149 certified employees and 88 non-certified employees.

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," under which the financial statements include all the organizations, activities, functions and component units for which the District (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District.

On this basis, there were no organizations subject to the District's financial accountability which required incorporation into the general purpose financial statements.

**2. BASIS OF PRESENTATION - FUND ACCOUNTING**

The 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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.



**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

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

Governmental Fund Types:

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

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

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term obligations.

Capital Projects Funds - These 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).

Proprietary Fund Types:

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that 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 the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to another department or agency of the District on a cost-reimbursement basis.

Fiduciary Fund Types:

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. The District has no trust funds. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of 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 District, other than those accounted for in the proprietary funds.

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

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the 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 type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

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. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when a potential revenue does not meet with the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue as more fully described in Note C.

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 fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. 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 Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modification at this level may only be made by resolution of the Board of Education.

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 Stark County Budget Commission for rate determination.

Estimated Resources:

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations:

By October 1, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual Appropriation Resolution, the Board may pass a temporary

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY PROCESS - Continued

resolution to meet the ordinary expenses of the District. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and 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 year end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds.

Lapsing of Appropriations:

At the close of each 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 need not be reappropriated.

Budgetary Basis of Accounting:

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

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY PROCESS - Continued

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

1. Revenues are reported 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.

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

	<b>Revenues and Other Financing Sources</b>		
	<b>Over (Under) Expenditures and Other Financing Uses</b>		
	<b>Governmental Fund Types</b>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$387,088	\$92,973	(\$434,186)
Net Adjustment for Revenue			
Accruals	(101,034)	30,517	340,617
Net Adjustment for Expenditure			
Accruals	39,143	(53,581)	48,691
Net Adjustment for Other Sources	150,112	97,631	50,001
Net Adjustment for Other Uses	<u>(292,218)</u>	<u>(78,334)</u>	<u>13,767</u>
Budget Basis	<u>\$183,091</u>	<u>\$89,206</u>	<u>\$(8,644)</u>

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY PROCESS - Continued

**Net Income (Loss)/Revenues and Other Financing Sources Over  
Expenditures and Other Financing Uses  
Proprietary Fund Types**

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$(18,563)	\$153,117
Net Adjustment for Revenue Accruals	(1,520)	(34,544)
Commodities Received	(73,332)	0
Net Adjustment for Expense Accrual	25,990	(10,165)
Commodities Used	69,322	0
Depreciation	<u>616</u>	<u>0</u>
Budget Basis	<u>\$2,513</u>	<u>\$108,408</u>

5. POOLED CASH AND INVESTMENTS

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

During fiscal year 1999, investments were limited to nonnegotiable certificates of deposit and The State Treasurer's investment pool (Star Ohio).

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash investment pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

Legal Requirements:

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand,

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

5. POOLED CASH AND INVESTMENTS - Continued

including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the 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 monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;



**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. POOLED CASH AND INVESTMENTS - Continued

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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); and
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits:

At fiscal year end, the carrying amount of the District's cash deposits was \$350,671 and the bank balance was \$449,434. Of the bank balance:

1. \$100,000 was covered by the federal depository insurance.
2. \$349,434 was covered by collateral held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code in collateralization pools securing all public funds on deposit with specific depository institutions.

Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. POOLED CASH AND INVESTMENTS - Continued

Investments:

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

	Carrying <u>Value</u>	Fair Market <u>Value</u>
STAR Ohio	\$779,423	\$779,423

The classification of cash and cash equivalents and investment 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 investment on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No.9	\$1,130,094	\$0
Investment of the Cash Management Pool:		
STAR Ohio	<u>(779,423)</u>	<u>779,423</u>
GASB Statement No.3	<u>\$350,671</u>	<u>\$779,423</u>

6. 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. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. INVENTORY -Continued

available spendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale and are expensed when used.

7. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

8. FIXED ASSETS AND DEPRECIATION

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction 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 the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has established a capitalization threshold for fixed assets at \$500. The District does not possess any infrastructure.

The cost 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District's policy is not to capitalize interest costs incurred as part of construction.

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 basis over an estimated useful life of ten years.

9. INTERGOVERNMENTAL REVENUES

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Minerva Local School District - Stark County  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

INTERGOVERNMENTAL REVENUES - Continued

Entitlements

**General Fund**

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Reimbursement

**Special Revenue Fund**

Textbook and Instructional Materials

Non-Reimbursable Grants

**Special Revenue Funds**

Title VIB  
Title I  
Title II  
Title VI  
Comprehensive School Reform Demonstration  
Educational Management Information System  
Professional Development  
Vocational Education  
Drug Free Schools  
Dwight D. Eisenhower Professional Development Grant  
Goals 2000  
Continuous Improvement Implementation Grant

**Capital Projects Funds**

Ohio School Net Plus  
School Net  
Telecommunity

Reimbursable Grants

**General Fund**

Driver Education Reimbursement

**Enterprise Funds**

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 60% of the District's operating revenue during the 1999 fiscal year.

10. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. SHORT-TERM, INTERFUND ASSETS/LIABILITIES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as interfund receivables/payables.

12. LONG-TERM DEBT

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations are reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio Law, a debt retirement fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the debt service fund and the general long-term obligations account group, with principal and interest payments on matured general long-term debt reported in the debt service fund. To comply with GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

13. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or 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.

14. 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.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. FUND BALANCE RESERVES

The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund balance which is available for reappropriation in future periods. Fund balance reserves are established for encumbrances, inventory, prepaid items, taxes, and budget stabilization.

16. PROPRIETARY FUND ACCOUNTING

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting", the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities.

17. CHANGE IN FINANCIAL STATEMENT PRESENTATION AND ACCOUNTING PRINCIPLES

For fiscal year 1999, the District has implemented GASB Statement No.32 which details new requirements for the accounting and financial reporting of Internal Revenue Code (IRC) 457 Plans due to legislative changes. On September 1, 1998, Ohio Deferred Compensation modified the plan's trust absolving the District of any fiduciary responsibility. As a result, the balance of the "Amount on Deposit for Employees Deferred Compensation" asset which was reflected on previous years' financial statements is not reflected on the District's June 30, 1999 balance sheet.

18. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or 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.

NOTE B - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND AND RETAINED EARNINGS DEFICITS

Fund balances/retained earnings at June 30, 1999 included the following fund/retained earnings deficits:

<b>Deficit Fund Balances</b>	
General Fund	\$ 583,430
Capital Projects	
Emergency Building Repair Fund	50,001

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE B OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES- FUND AND RETAINED EARNINGS DEFICITS- Continued**

**Deficit Retained Earnings**

Enterprise Fund	
Food Services Fund	\$ 68,184

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund provides operating transfers when cash is required, not when accruals occur.

**NOTE C - PROPERTY TAXES**

Real property tax is levied each January 1 on the assessed value listed on the prior September 1 for all real property located in the District. Assessed values are established by the County Auditor at 35% of current market value. Reappraisal of all property is required every six years with triennial updates. The last update was completed for the tax year 1998 for Stark County, and 1998 for Carroll and Columbiana Counties.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property for tax year 1998 was \$43.10 for Carroll, and \$43.60 for Columbiana and Stark Counties per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$30.90 for Carroll, and \$31.40 for Columbiana and Stark Counties per \$1,000 of assessed valuation for both real property classified as residential / agricultural and all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 1998 was \$43.10 for Carroll, and \$43.60 for Columbiana and Stark Counties per \$1,000 of assessed valuation.

<b>STARK COUNTY</b>	
<b><u>Real Property - 1998 Valuation</u></b>	
Residential/Agricultural	\$50,944,280
Commercial/Industrial	9,956,530
Public Utilities	4,140
Minerals	234,860

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTES C - PROPERTY TAXES - Continued

<u>Tangible Personal Property - 1999 Valuation</u>	
General	\$12,148,452
Public Utilities	<u>4,873,470</u>
Total Valuation	<u>\$78,161,732</u>

CARROLL COUNTY

<u>Real Property - 1998 Valuation</u>	
Residential/Agricultural	\$20,195,910
Commercial/Industrial	6,654,970
Public Utilities	3,930
Minerals	55,250

<u>Tangible Personal Property - 1999 Valuation</u>	
General	\$11,273,466
Public Utilities	<u>2,485,300</u>
Total Valuation	<u>\$40,668,826</u>

COLUMBIANA COUNTY

<u>Real Property - 1998 Valuation</u>	
Residential/Agricultural	\$27,054,660
Commercial/Industrial	1,210,770
Public Utilities	69,340
Minerals	368,730

<u>Tangible Personal Property - 1999 Valuation</u>	
General	\$ 1,416,990
Public Utilities	<u>4,768,810</u>
Total Valuation	<u>\$34,889,300</u>

The respective County Treasurers collect property tax on behalf of all taxing districts within the county. The respective County Auditors periodically remit to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 of \$279,613 is recognized as revenue.



**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE D - INSURANCE

1. PROPERTY AND LIABILITY INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

2. MEDICAL SELF-INSURANCE

The District has established a medical self-insurance fund which is accounted for in an internal service fund. The purpose of this fund is to pay medical and dental claims of the District's employees and their covered dependents and minimize the total cost of medical insurance to the District. For the plan year ended June 30, 1999, medical claims exceeding \$40,000 per covered individual, or \$1,116,156 in the aggregate are covered through private insurance carriers. The self-insurance fund is funded by expenditures for health insurance out of the general fund and enterprise fund.

The claims liability of \$104,828 reported in the fund at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in fiscal year 1999 were:

	<u>Balance at</u> <u>Beginning of</u> <u>Year</u>	<u>Current</u> <u>Year Claims</u> <u>and Fees</u>	<u>Total</u> <u>Payments</u>	<u>Balance At</u> <u>End of Year</u>
1999	\$ 115,244	\$1,235,466	\$1,245,882	\$104,828
1998	\$ 57,477	\$1,127,161	\$1,069,394	\$115,244

NOTE E - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$67,911
Less Accumulated Depreciation	<u>(62,382)</u>
Net Fixed Assets	<u>\$ 5,529</u>

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE E - FIXED ASSETS - Continued

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance <u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 1999</u>
Land and Buildings	\$4,168,095	\$512,131	\$ 0	\$4,680,226
Furniture and Equipment	1,401,700	202,898	0	1,604,598
Vehicles	<u>912,497</u>	<u>93,530</u>	<u>50,162</u>	<u>955,865</u>
Total	<u>\$6,482,292</u>	<u>\$808,559</u>	<u>\$50,162</u>	<u>\$7,240,689</u>

NOTE F INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following fund billings:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$152,650	\$ 0
Special Revenue Funds	0	102,604
Capital Projects Fund	<u>0</u>	<u>50,001</u>
Totals	<u>\$152,650</u>	<u>\$152,605</u>

NOTE G - DEBT & LONG-TERM OBLIGATIONS

The District's debt activity, including amounts outstanding and interest rates, is as follows:

	Balance July 1, <u>1998</u>	<u>Additions</u>	<u>Payments</u>	Balance June 30, <u>1999</u>
1989 Energy Note--6.85%	\$18,812	\$ 0	\$ 15,049	\$ 3,763
1990 Energy Note--6.50%	49,500	0	22,000	27,500
1992 Energy Note--6.10%	40,500	0	9,000	31,500
1994 Energy Note--6.10%	28,750	0	5,000	23,750
1997 Energy Note--6.00%	167,425	0	18,100	149,325
1999 Energy Note--5.25%	<u>0</u>	<u>108,759</u>	<u>0</u>	<u>108,759</u>
Subtotal	304,987	108,759	69,149	344,597

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE G DEBT & LONG-TERM OBLIGATIONS- Continued

Capital Lease Obligation:				
Technology Lease--5.24%	6,123	0	6,123	0
Compensated Absences	1,303,409	146,316	71,200	1,378,525
Intergovernmental Payable	<u>61,566</u>	<u>57,602</u>	<u>61,566</u>	<u>57,602</u>
 Total	 <u>\$1,676,085</u>	 <u>\$312,677</u>	 <u>\$208,038</u>	 <u>\$1,780,724</u>

The annual requirements to retire note debt including interest of \$77,854 are as follows:

<u>Year Ending June 30</u>	<u>Notes</u>
2000	\$ 84,849
2001	61,398
2002	53,881
2003	47,475
2004	40,237
2005-2009	<u>134,611</u>
 Total	 <u>\$422,451</u>

NOTE H - LEASING ARRANGEMENTS

The District leases the following equipment under noncancellable operating leases: copier machines - 36 and 60-month leases.

The following is a schedule of future minimum rental payments required under the above operating leases as of June 30, 1999:

<u>Year Ending June 30</u>	<u>Amount</u>
2000	\$36,682
2001	23,346
2002	12,155
2003	6,444
2004	3,628

Rental expense amounted to \$35,492 for the year ended June 30, 1999.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE I - SEGMENT INFORMATION**

The District maintains enterprise funds to account for the operation of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating Revenues	\$ 291,303	\$ 8,052	\$ 299,355
Operating Expenses;			
Less Depreciation	568,803	5,565	574,368
Depreciation Expense	616	0	616
Operating Income (Loss)	(278,116)	2,487	(275,629)
Donated Commodities	73,332	0	73,332
Transfers In	34,215	0	34,215
Net Income (Loss)	(21,050)	487	(18,563)
Net Working Capital	(73,713)	7,063	(66,650)
Property, Plant and Equipment			
Additions	699	0	699
Total Assets	52,556	7,063	59,619
Total Equity	(68,184)	7,063	(61,121)

**NOTE J - RETIREMENT PLANS**

**1. STATE TEACHERS' RETIREMENT SYSTEM (STRS)**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent of the employees salary; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$392,442 \$643,926, and \$712,968, respectively; 78.8 percent

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE J RETIREMENT PLANS- Continued

1. STATE TEACHERS' RETIREMENT SYSTEM (STRS)

has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997.

\$194,219 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

2. SCHOOL EMPLOYEES RETIREMENT (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$118,668 \$158,587 and \$168,242 respectively; 33.6 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$163,542 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

3. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE J RETIREMENT PLANS -Continued

4. POST EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health coverage. The STRS Board has discretionary authority over how much, if any of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, and increase from 3.5 percent for fiscal year 1998.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (The latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998 (the latest information possible), net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$127,651.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE J RETIREMENT PLANS- Continued

4. POST EMPLOYMENT BENEFITS Continued

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 (the latest information possible), SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE K - OTHER EMPLOYEE BENEFITS (COMPENSATED ABSENCES)

Employees earn vacation at rates specified by Union Contractual Agreement based on credited service. Administrative and 260 day employees are entitled to vacation ranging from 10 to 20 days.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to certified employee upon retirement is limited to twenty-five percent of the value of the first 320 days. The total maximum is 80 days. The amount paid to a classified employee upon retirement is limited to twenty-five percent of the first 310 days of sick leave. The total maximum is 77.50 days. At June 30, 1999, a current liability of \$169,781 in the general fund has been provided for earned but unused sick leave severance.

Under the standards of Governmental Accounting Standards Board (GASB) Statement No. 16, Accounting for Compensated Absences, the District has used the vesting method described in Statement guidelines to record an estimated long-term liability of \$1,378,525 for severance pay and sick leave payable at June 30, 1999. The amount has been recorded in the General Long-Term Debt Obligations Account Group since the liability will not require the use of current expendable available financial resources.

NOTE L - CONTINGENCIES

During the year ended June 30, 1999, the District received grants-in-aid from federal and state sources amounting to \$652,654 and \$7,771,656, respectively, for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's management believes such disallowances, if any, would be immaterial.

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE M - JOINTLY GOVERNED ORGANIZATIONS**

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among thirty-three school districts. The jointly governed 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 districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts.

The Stark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Stark County Joint Vocational School, 6805 Richville Drive, S.W., Massillon, Ohio 44646.

**NOTE N - SCHOOL FUNDING ISSUE**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$6,705,455 in school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.



**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE O - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the District's operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has four school buildings with power systems which have extensive efficiency utilization measures within the system.

The District utilizes an external service organization for its financial, payroll, and employee benefits reporting. This external service organization in turn uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The external service organization in conjunction with the State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Stark, Carroll, and Columbiana counties collect property taxes for distribution to the District. The counties are responsible for remediating their tax collection systems and are solely responsible for any costs associated with these projects.

To the best of management's knowledge and belief, as of January 20, 2000, the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are yet, unknown.

**NOTE P - SET ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on 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 year-end must be held in cash and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The following cash basis information describes the changes in the amounts set aside for budget

**Minerva Local School District - Stark County**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

NOTE P SET ASIDES-Continued

stabilization, textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Budget Stabilization</u>	<u>Textbooks</u>	<u>Capital Acquisition</u>
The balance of the set-aside carried forward from the prior year	\$68,977	\$ 0	\$0
Current year set-aside requirements	90,706	181,412	181,412
Qualifying expenditures during the fiscal year	<u>0</u>	<u>(249,382)</u>	<u>(246,853)</u>
Total	<u>\$159,683</u>	<u>\$(67,970)</u>	<u>\$(65,441)</u>
 The balance of the set aside carried forward to the next fiscal year	 <u>\$159,683</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Minerva Local School District - Stark County  
 Schedule of Federal Awards Receipts and Expenditures  
 for the Year Ended June 30, 1999

Pass-Through Grantor/Federal Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed through the Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution	Not Applicable	10.550	\$ 0	\$73,332	\$ 0	\$69,322
National School Breakfast Program	Not Applicable	10.553	1,828	0	1,828	0
National School Lunch Program	Not Applicable	10.555	<u>138,172</u>	<u>0</u>	<u>138,172</u>	<u>0</u>
Total U.S. Department of Agriculture--			<u>140,000</u>	<u>73,332</u>	<u>140,000</u>	<u>69,322</u>
Child Nutrition Cluster						
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed through the Ohio Department of Education:						
Title I Grants to Local Ed. Agencies	049890-C1-S1-98	84.010	63,195	0	40,363	0
Title I Grants to Local Ed. Agencies	049890-C1-S1-99	84.010	<u>208,079</u>	<u>0</u>	<u>248,594</u>	<u>0</u>
Total Title I			<u>271,274</u>	<u>0</u>	<u>288,957</u>	<u>0</u>
Title VI-B Special Ed. Grants to States	049890-SB-SF-98	84.027	44,536	0	790	0
Title VI-B Special Ed. Grants to States	049890-SB-SF-99	84.027	<u>109,914</u>	<u>0</u>	<u>119,926</u>	<u>0</u>
Total Title VI-B			<u>154,450</u>	<u>0</u>	<u>120,716</u>	<u>0</u>
Eisenhower Prof. Dev. State Grants	049890-MS-S4-98	84.281	0	0	5,881	0
President's Award - Eisenhower Grant	049890-MS-A3-95	84.164	0	0	773	0
Innovative Ed. Prog. Strategies	049890-C2-S1-99	84.298	8,409	0	8,409	0
Safe, Drug Free School/Communities State Grants	049890-DR-S1-99	84.186	3,521	0	11,737	0
Goals 2000 State and Local Ed. Systemic Improvement	049890-G2-S2-97	84.276	0	0	4,543	0
Vocational Education-Basic Grants to States	Not Available	84.048	418	0	418	0
Comprehensive School Reform Grant	049890-RF-S1-99	84.332	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Education			<u>513,072</u>	<u>0</u>	<u>441,434</u>	<u>0</u>
Totals			<u>\$653,072</u>	<u>\$73,332</u>	<u>\$581,434</u>	<u>\$69,322</u>

The accompanying notes to this schedule are an integral part of this schedule.

**Minerva Local School District - Stark County**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**  
**JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

Minerva Local School District  
Stark County  
401 North Market Street  
Minerva, Ohio 44657

To the Board of Education:

We have audited the general purpose financial statements of the Minerva Local School District, Stark County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 20, 2000 in which we noted the change in the District's method of accounting and reporting for its deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards 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 January 20, 2000.

**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 the management of the District in a separate letter dated January 20, 2000.



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

Minerva Local School District  
Stark County  
401 North Market Street  
Minerva, Ohio 44657

To The Board of Education:

### Compliance

We have audited the compliance of the Minerva Local School District, Stark County, Ohio (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, 1999. 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 generally accepted auditing standards; 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, 1999.

### 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.

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

This report is intended for the information and use of management, the 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.



Jim Petro  
Auditor of State

January 20, 2000



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

Minerva Local School District  
Stark County  
401 North Market Street  
Minerva, Ohio 44657

To The Board of Education:

**Compliance**

We have audited the compliance of the Minerva Local School District, Stark County, Ohio (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, 1999. 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 generally accepted auditing standards; 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, 1999.

**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.



Minerva Local School District  
Stark County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133  
Page 2

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

This report is intended for the information and use of management, the Board of Education, 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.



Jim Petro  
Auditor of State

January 20, 2000

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505

JUNE 30, 1999

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

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

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

None

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

None

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MINERVA LOCAL SCHOOL DISTRICT, STARK 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.

By: *Susan Babbitt*  
Clerk of the Bureau

Date: MAR 09 2000