

**MINERVA LOCAL  
SCHOOL DISTRICT**



**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR

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Board of Education  
Minerva Local School District  
Minerva, Ohio 44657

We have reviewed the Independent Auditor's Report of the Minerva Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

April 9, 2002

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**MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**JUNE 30, 2001**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 30, 2002

To the Board of Education  
Minerva Local School District  
Minerva, OH 44657

## Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Minerva Local School District (the "District") as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Minerva Local School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 30, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

*Rea & Associates, Inc.*

**MINERVA LOCAL SCHOOL DISTRICT**

*Combined Balance Sheet*

**All Fund Types and Account Groups**

June 30, 2001

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 141,643	\$ 235,237	\$ 28,986
Restricted Cash and Cash Equivalents	93,964	0	0
Cash and Cash Equivalents in Segregated Accounts	0	3,016	0
Receivables:			
Taxes	5,001,031	0	0
Accounts	693	1,309	0
Interfund	39,158	0	0
Intergovernmental	17,878	6,580	9,491
Inventory	35,572	0	0
Advances to Other Funds	24,001	0	0
Fixed Assets (Net)	0	0	0
<b><u>Other Debits</u></b>			
Amount to be Provided from General Government Resources	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$ 5,353,940</u></b>	<b><u>\$ 246,142</u></b>	<b><u>\$ 38,477</u></b>
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 52,467	\$ 37,453	\$ 0
Accrued Wages and Benefits	1,227,163	37,818	0
Compensated Absences Payable	87,874	0	0
Interfund Payable	0	24,035	15,123
Intergovernmental Payable	306,470	7,495	0
Deferred Revenue	4,868,574	0	9,491
Due to Students	0	0	0
Claims Payable	0	0	0
Notes Payable	0	0	0
Capital Lease Payable	0	0	0
Early Retirement Incentive Payable	0	0	0
Advances from Other Funds	0	15,445	8,556
<b>Total Liabilities</b>	<b><u>6,542,548</u></b>	<b><u>122,246</u></b>	<b><u>33,170</u></b>
<b><u>Fund Equity and Other Credits</u></b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings: Unreserved	0	0	0
Fund Balance:			
Reserved for Inventory	35,572	0	0
Reserved for Encumbrances	63,899	19,426	10,663
Reserved for BWC Refund	70,106	0	0
Reserved for Capital Acquisition	23,858	0	0
Reserved for Advances	24,001	0	0
Reserved for Property Taxes	132,457	0	0
Unreserved: Undesignated	(1,538,501)	104,470	(5,356)
<b>Total Fund Equity and Other Credits</b>	<b><u>(1,188,608)</u></b>	<b><u>123,896</u></b>	<b><u>5,307</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$ 5,353,940</u></b>	<b><u>\$ 246,142</u></b>	<b><u>\$ 38,477</u></b>

The accompanying notes are an integral part of these financial statements.



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$ 18,373	\$ 110,774	\$ 81,311	\$ 0	\$ 0	\$ 616,324
0	0	0	0	0	93,964
0	0	0	0	0	3,016
0	0	0	0	0	5,001,031
59	0	50	0	0	2,111
0	0	0	0	0	39,158
0	0	0	0	0	33,949
31,533	0	0	0	0	67,105
0	0	0	0	0	24,001
23,042	0	0	8,062,195	0	8,085,237
0	0	0	0	1,592,059	1,592,059
<u>\$ 73,007</u>	<u>\$ 110,774</u>	<u>\$ 81,361</u>	<u>\$ 8,062,195</u>	<u>\$ 1,592,059</u>	<u>\$ 15,557,955</u>
\$ 69	\$ 0	\$ 2,359	\$ 0	\$ 0	\$ 92,348
41,132	0	0	0	0	1,306,113
19,900	0	0	0	1,214,911	1,322,685
0	0	0	0	0	39,158
33,884	0	0	0	92,561	440,410
26,869	0	0	0	0	4,904,934
0	0	79,002	0	0	79,002
0	358,380	0	0	0	358,380
0	0	0	0	231,750	231,750
0	0	0	0	32,837	32,837
0	0	0	0	20,000	20,000
0	0	0	0	0	24,001
121,854	358,380	81,361	0	1,592,059	8,851,618
0	0	0	8,062,195	0	8,062,195
(48,847)	(247,606)	0	0	0	(296,453)
0	0	0	0	0	35,572
0	0	0	0	0	93,988
0	0	0	0	0	70,106
0	0	0	0	0	23,858
0	0	0	0	0	24,001
0	0	0	0	0	132,457
0	0	0	0	0	(1,439,387)
<u>(48,847)</u>	<u>(247,606)</u>	<u>0</u>	<u>8,062,195</u>	<u>0</u>	<u>6,706,337</u>
<u>\$ 73,007</u>	<u>\$ 110,774</u>	<u>\$ 81,361</u>	<u>\$ 8,062,195</u>	<u>\$ 1,592,059</u>	<u>\$ 15,557,955</u>

**MINERVA LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances*

**All Governmental Fund Types**

For the Year Ended June 30, 2001

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b><u>Revenues</u></b>					
Taxes	\$ 4,941,992	\$ 0	\$ 0	\$ 0	\$ 4,941,992
Intergovernmental	7,715,680	713,844	0	94,503	8,524,027
Investment Income	67,319	0	0	0	67,319
Tuition and Fees	95,958	0	0	0	95,958
Extracurricular Activities	0	234,148	0	0	234,148
Miscellaneous	75,769	12,441	0	0	88,210
<b>Total Revenues</b>	<b>12,896,718</b>	<b>960,433</b>	<b>0</b>	<b>94,503</b>	<b>13,951,654</b>
<b><u>Expenditures</u></b>					
Instruction:					
Regular	7,005,914	117,928	0	46,422	7,170,264
Special	1,023,998	423,251	0	0	1,447,249
Vocational	51,879	1,082	0	0	52,961
Adult Continuing	4,704	0	0	0	4,704
Support Services:					
Pupils	803,294	26,473	0	0	829,767
Instructional Staff	409,075	125,515	0	148	534,738
Board of Education	31,163	0	0	0	31,163
Administration	1,102,789	19,718	0	0	1,122,507
Fiscal	343,560	0	0	0	343,560
Business	77,796	904	0	0	78,700
Operation and Maintenance of Plant	948,318	4,994	0	1,452	954,764
Pupil Transportation	825,606	2,653	0	0	828,259
Central	7,746	4,000	0	0	11,746
Extracurricular Activities	229,345	190,283	0	0	419,628
Capital Outlay	118,444	20,600	0	52,523	191,567
Debt Service:					
Principal Retirement	30,066	0	46,534	0	76,600
Interest and Fiscal Charges	5,534	0	14,837	0	20,371
<b>Total Expenditures</b>	<b>13,019,231</b>	<b>937,401</b>	<b>61,371</b>	<b>100,545</b>	<b>14,118,548</b>
Excess of Revenues Over (Under) Expenditures	(122,513)	23,032	(61,371)	(6,042)	(166,894)
<b><u>Other Financing Sources (Uses)</u></b>					
Proceeds from Sales of Fixed Assets	4,582	0	0	0	4,582
Transfers In	0	28,894	61,371	1,230	91,495
Transfers Out	(146,801)	0	0	0	(146,801)
<b>Total Other Financing Sources (Uses)</b>	<b>(142,219)</b>	<b>28,894</b>	<b>61,371</b>	<b>1,230</b>	<b>(50,724)</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(264,732)	51,926	0	(4,812)	(217,618)
Fund Balances (Deficit) at Beginning Of Year	(923,876)	71,970	0	10,119	(841,787)
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ (1,188,608)</b>	<b>\$ 123,896</b>	<b>\$ 0</b>	<b>\$ 5,307</b>	<b>\$ (1,059,405)</b>

The accompanying notes are an integral part of these financial statements.

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**MINERVA LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis)*  
**All Governmental Fund Types**  
For the Year Ended June 30, 2001

**General Fund**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 5,172,334	\$ 5,153,060	\$ (19,274)
Intergovernmental	7,648,742	7,588,742	(60,000)
Investment Income	65,697	70,642	4,945
Tuition and Fees	96,763	96,763	0
Extracurricular Activities	0	0	0
Miscellaneous	41,065	41,065	0
<b>Total Revenues</b>	<b>13,024,601</b>	<b>12,950,272</b>	<b>(74,329)</b>
<b>Expenditures</b>			
Instruction			
Regular	6,935,582	6,935,581	1
Special	1,038,046	1,038,046	0
Vocational	55,198	55,199	(1)
Adult Continuing	4,706	4,706	0
Support Services			
Pupils	787,107	787,107	0
Instructional Staff	403,071	403,071	0
Board of Education	36,869	36,869	0
Administration	1,086,929	1,086,929	0
Fiscal	333,006	333,006	0
Business	80,956	80,956	0
Operation and Maintenance of Plant	956,528	956,529	(1)
Pupil Transportation	831,002	831,002	0
Central	8,676	8,676	0
Operation of Non-Instructional Services	9,270	9,270	0
Extracurricular Activities	226,461	226,461	0
Capital Outlay	118,444	118,444	0
Debt Service			
Principal Retirement	30,066	30,066	0
Interest and Fiscal Charges	5,534	5,534	0
<b>Total Expenditures</b>	<b>12,947,451</b>	<b>12,947,452</b>	<b>(1)</b>
Excess of Revenues Over (Under) Expenditures	77,150	2,820	(74,330)
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	4,582	4,582	0
Refund of Prior Year Expenditures	39,954	39,954	0
Pass-Through	(155,551)	0	155,551
Advances In	104,991	104,991	0
Advances Out	(229,935)	(223,814)	6,121
Operating Transfers In	0	0	0
Operating Transfers Out	(119,079)	(117,907)	1,172
<b>Total Other Financing Sources (Uses)</b>	<b>(355,038)</b>	<b>(192,194)</b>	<b>162,844</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(277,888)	(189,374)	88,514
Fund Balances at Beginning of Year	222,721	222,721	0
Prior Year Encumbrances Appropriated	99,339	99,339	0
<b>Fund Balances at End of Year</b>	<b>\$ 44,172</b>	<b>\$ 132,686</b>	<b>\$ 88,514</b>

The accompanying notes are an integral part of these financial 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
707,264	707,264	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
232,939	232,939	0	0	0	0
18,453	12,341	(6,112)	0	0	0
<u>958,656</u>	<u>952,544</u>	<u>(6,112)</u>	<u>0</u>	<u>0</u>	<u>0</u>
148,808	121,800	27,008	0	0	0
385,152	385,152	0	0	0	0
1,242	1,242	0	0	0	0
0	0	0	0	0	0
37,965	33,753	4,212	0	0	0
160,808	136,554	24,254	0	0	0
0	0	0	0	0	0
19,967	19,967	0	0	0	0
0	0	0	0	0	0
922	922	0	0	0	0
5,006	5,006	0	0	0	0
2,712	2,712	0	0	0	0
4,000	4,000	0	0	0	0
0	0	0	0	0	0
195,100	195,100	0	0	0	0
20,600	20,600	0	0	0	0
0	0	0	47,705	46,534	1,171
0	0	0	14,837	14,837	0
<u>982,282</u>	<u>926,808</u>	<u>55,474</u>	<u>62,542</u>	<u>61,371</u>	<u>1,171</u>
<u>(23,626)</u>	<u>25,736</u>	<u>49,362</u>	<u>(62,542)</u>	<u>(61,371)</u>	<u>1,171</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
24,035	24,035	0	0	0	0
(27,988)	(27,988)	0	0	0	0
0	0	0	62,542	61,371	(1,171)
0	0	0	0	0	0
<u>(3,953)</u>	<u>(3,953)</u>	<u>0</u>	<u>62,542</u>	<u>61,371</u>	<u>(1,171)</u>
(27,579)	21,783	49,362	0	0	0
68,619	68,619	0	0	0	0
90,307	90,307	0	0	0	0
<u>\$ 131,347</u>	<u>\$ 180,709</u>	<u>\$ 49,362</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

**MINERVA LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis)*  
**All Governmental Fund Types**  
For the Year Ended June 30, 2001

	<b>Capital Project Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	83,003	94,503	11,500
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>83,003</b>	<b>94,503</b>	<b>11,500</b>
<b>Expenditures</b>			
Instruction			
Regular	61,091	60,925	166
Special	0	0	0
Vocational	0	0	0
Adult Continuing	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	148	148	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	363	363	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	107,418	107,418	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>169,020</b>	<b>168,854</b>	<b>166</b>
Excess of Revenues Over (Under) Expenditures	(86,017)	(74,351)	11,666
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Pass-Through	0	0	0
Advances In	9,002	15,123	6,121
Advances Out	(77,003)	(77,003)	0
Operating Transfers In	1,230	1,230	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(66,771)</b>	<b>(60,650)</b>	<b>6,121</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(152,788)	(135,001)	17,787
Fund Balances at Beginning of Year	43,801	43,801	0
Prior Year Encumbrances Appropriated	109,523	109,523	0
<b>Fund Balances at End of Year</b>	<b>\$ 536</b>	<b>\$ 18,323</b>	<b>\$ 17,787</b>

The accompanying notes are an integral part of these financial statements.

**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 5,172,334	\$ 5,153,060	\$ (19,274)
8,439,009	8,390,509	(48,500)
65,697	70,642	4,945
96,763	96,763	0
232,939	232,939	0
59,518	53,406	(6,112)
<u>14,066,260</u>	<u>13,997,319</u>	<u>(68,941)</u>
7,145,481	7,118,306	27,175
1,423,198	1,423,198	0
56,440	56,441	(1)
4,706	4,706	0
825,072	820,860	4,212
564,027	539,773	24,254
36,869	36,869	0
1,106,896	1,106,896	0
333,006	333,006	0
81,878	81,878	0
961,897	961,898	(1)
833,714	833,714	0
12,676	12,676	0
9,270	9,270	0
421,561	421,561	0
77,771	76,600	1,171
20,371	20,371	0
<u>13,914,833</u>	<u>13,858,023</u>	<u>56,810</u>
<u>151,427</u>	<u>139,296</u>	<u>(12,131)</u>
4,582	4,582	0
39,954	39,954	0
(155,551)	0	155,551
138,028	144,149	6,121
(334,926)	(328,805)	6,121
63,772	62,601	(1,171)
(119,079)	(117,907)	1,172
<u>(363,220)</u>	<u>(195,426)</u>	<u>167,794</u>
(211,793)	(56,130)	155,663
335,141	335,141	0
299,169	299,169	0
<u>\$ 422,517</u>	<u>\$ 578,180</u>	<u>\$ 155,663</u>

**MINERVA LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues,  
Expenses, and Changes in Fund Equity*  
**All Proprietary Fund Types**  
 For the Year Ended June 30, 2001

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b><u>Operating Revenues</u></b>			
Sales	\$ 315,500	\$ 0	\$ 315,500
Charges for Services	0	1,270,640	1,270,640
<b><i>Total Operating Revenues</i></b>	<b>315,500</b>	<b>1,270,640</b>	<b>1,586,140</b>
<b><u>Operating Expenses</u></b>			
Salaries	197,572	0	197,572
Fringe Benefits	123,387	24,595	147,982
Purchased Services	1,088	184,204	185,292
Materials and Supplies	271,058	888	271,946
Depreciation	1,642	0	1,642
Claims Expenses	0	1,641,128	1,641,128
Other Operating Expenses	704	0	704
<b><i>Total Operating Expenses</i></b>	<b>595,451</b>	<b>1,850,815</b>	<b>2,446,266</b>
Operating Loss	(279,951)	(580,175)	(860,126)
<b><u>Non-Operating Revenues</u></b>			
Operating Grants	168,361	0	168,361
Donated Commodities	82,976	0	82,976
<b><i>Total Non-Operating Revenues</i></b>	<b>251,337</b>	<b>0</b>	<b>251,337</b>
Net Loss Before Operating Transfers	(28,614)	(580,175)	(608,789)
Transfers In	55,306	0	55,306
Net Income (Loss)	26,692	(580,175)	(553,483)
Retained Earnings/(Deficit) at Beginning of Year	(75,539)	332,569	257,030
<b>Retained Earnings/(Deficit) at End of Year</b>	<b>\$ (48,847)</b>	<b>\$ (247,606)</b>	<b>\$ (296,453)</b>

The accompanying notes are an integral part of these financial statements.



**MINERVA LOCAL SCHOOLS**

*Combined Statement of Cash Flows*

**All Proprietary Fund Types**

For the Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>			
<b><u>Cash Flows From Operating Activities</u></b>			
Cash Received from Customers	\$ 315,441	\$ 1,270,640	\$ 1,586,081
Cash Paid for Goods and Services	(168,215)	(185,092)	(353,307)
Cash Paid to Employees	(340,519)	0	(340,519)
Cash Paid for Claims	0	(1,228,943)	(1,228,943)
<b>Net Cash Used For Operating Activities</b>	<b>(193,293)</b>	<b>(143,395)</b>	<b>(336,688)</b>
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>			
Grants	168,361	0	168,361
Transfers In	55,306	0	55,306
Advances In	0	184,656	184,656
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>223,667</b>	<b>184,656</b>	<b>408,323</b>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>			
Acquisition of Capital Assets	(19,806)	0	(19,806)
<b>Net Cash Used For Capital and Related Financing Activities</b>	<b>(19,806)</b>	<b>0</b>	<b>(19,806)</b>
Net Increase in Cash and Cash Equivalents	10,568	41,261	51,829
Cash and Cash Equivalents at Beginning of Year	7,805	69,513	77,318
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 18,373</b>	<b>\$ 110,774</b>	<b>\$ 129,147</b>
<b><u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</u></b>			
Operating Loss	\$ (279,951)	\$ (580,175)	\$ (860,126)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:</b>			
Depreciation	1,642	0	1,642
Non-cash Donated Commodities	82,976	0	82,976
Decrease in Accounts Receivable	80	24,641	24,721
(Increase) in Inventory	(5,402)	0	(5,402)
Decrease in Due From Other Funds	0	178,664	178,664
Increase in Accounts Payable	53	0	53
(Decrease) in Accrued Wages and Benefits	(21,341)	0	(21,341)
Increase in Compensated Absences Payable	19,900	0	19,900
(Decrease) in Due to Other Funds	(8,977)	0	(8,977)
(Decrease) in Intergovernmental Payable	(9,142)	0	(9,142)
Increase in Deferred Revenue	26,869	0	26,869
Increase in Claims Payable	0	233,475	233,475
<b>Total Adjustments</b>	<b>86,658</b>	<b>436,780</b>	<b>523,438</b>
<b>Net Cash Used For Operating Activities</b>	<b>\$ (193,293)</b>	<b>\$ (143,395)</b>	<b>\$ (336,688)</b>

The accompanying notes are an integral part of these financial statements.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Minerva Local School District (District) was 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 school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of October 1, 2000, was 2,191. The District employs 150 certificated and 93 non-certificated employees.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is involved with Stark Portage Area Computer Consortium (SPARCC) and Stark County Joint Vocational School, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 22.

Management believes the general purpose financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups to report on its' financial position and the results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

**Governmental Fund Types**

Governmental fund types are used to account for the District's general government activities. Governmental fund types and the expendable trust funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used the pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

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

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

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which are levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. 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 funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

**Proprietary Fund Types**

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary fund types include the following fund types:

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Enterprise Funds* - Enterprise 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 the costs, including depreciation where applicable, 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 net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

**Fiduciary Fund Types**

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

*Agency Funds* - The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the District holds for others in an agency capacity.

**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 proprietary or nonexpendable trust 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 or nonexpendable trust funds.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 by the County Auditor.

All funds, other than the agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund function level for the general fund and at the fund level for all other funds. Budgetary modifications may only be made by resolution of the Board of Education. Budgetary statements are not presented for proprietary and nonexpendable trust funds.

C. Cash, Cash Equivalents, 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 2001, investments were limited to Certificates of Deposit and STAROhio. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earning. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$67,319, which includes \$41,705 assigned from other District funds.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents, whose use is limited by legal requirements, set aside to establish a BWC refund reserve and capital maintenance reserve. The BWC refund reserve can be used only for purposes specified by the statute. The capital maintenance reserve can only be used for capital outlay expenditures. See Note 17 for additional information regarding the District's set-aside requirements.

E. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

F. Estimates

The preparation of the 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 could differ from those estimates.

G. Interfund Assets and Liabilities

Short-term interfund loans (advances) are classified as "interfund receivables" and "interfund payables". Long-term interfund loans (advances) are classified as "advances from other funds" and "advances to other funds".

H. 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 cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment - 10 years. The capitalization threshold is \$500. The District does not possess any infrastructure.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.



MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

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

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

M. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, long-term interfund advances, capital improvements, and BWC refund. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, 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 for proprietary fund operations 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:

Entitlements

*General Fund:*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Allowance

Non-Reimbursable Grants

*Special Revenue Funds:*

Education Management Information Systems  
Safe School Help  
Comprehensive School Reform Demonstration  
Ohio Reads Classroom Grant  
School Improvement Incentive Award  
Eisenhower Grant  
Vocational Education  
Extended Learning Opportunity Fund  
Title I  
Title II  
Title VI  
Title VI-B  
Drug-Free Schools  
Teacher Development Block Grant  
Continuous Improvement Implementation Grant

*Capital Projects Fund:*

Schoolnet  
Ohio School Net Plus  
Ohio School Facilities Commission Grant

Reimbursable Grants

*Enterprise Funds:*

National School Lunch Program  
Government Donated Commodities

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and entitlements amounted to approximately 54% of the District's operating revenue during the 2001 fiscal year.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues". The statements established accounting and reporting guidelines for governments' decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB Statement No. 33 did not have a material effect on fund balance/retained earnings as it was previously reported as of June 30, 2000.

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 2001, the General Fund had a deficit fund balance of \$(1,188,608) and Food Service Enterprise Fund and Internal Service Fund had a deficit retained earnings of \$(65,409) and \$(247,606), respectively, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The District will review the operations to determine if steps need to be taken to ensure that the funds are self-sustaining.

B. Legal Compliance

The District did not obtain School Board approval to make interfund transfers and advances, contrary to Ohio Rev. Code Section 5705.14.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 5: BUDGETARY PROCESS

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated revenue and expenditures is submitted to the Tuscarawas County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the Official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (NonGAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund and function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. A supplemental appropriation resolution was legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (NonGAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds" represent the final appropriation amounts including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 5: BUDGETARY PROCESS (Continued)

*Encumbrances*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

*Budgetary Basis of Accounting*

While reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (NonGAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and GAAP basis are that:

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid in cash (budget basis) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.
- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays debt from the debt service fund (budget non-GAAP basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 5: BUDGETARY PROCESS (Continued)

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental fund types follow:

	General Fund	Special Revenue Fund	Capital Projects Fund
Budgetary Basis	\$ (189,374)	\$ 21,783	\$ (135,001)
Encumbrances	95,748	54,528	10,663
Revenue accruals	(198,499)	12,748	(15,123)
Expenditure accruals	<u>27,393</u>	<u>(37,133)</u>	<u>134,649</u>
GAAP Basis	<u>\$ (264,732)</u>	<u>\$ 51,926</u>	<u>\$ (4,812)</u>

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 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 passbook accounts.

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

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

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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

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.

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

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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the District's deposits was \$(94,964) and the bank balance was \$184,919. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$84,919 was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Investments

GASB Statement No. 3 entitled "Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District to categorize investments to give an indication of the level of custodial credit risk assumed by the District at year-end. The carrying value of deposits and investments are presented in the combined balance sheet as equity in pooled cash and cash equivalents. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Fair Value</u>
STAROhio	<u>\$ 808,268</u>	<u>\$ 808,268</u>

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 713,304	\$ 0
Investments which are part of cash management pool:		
STAROhio	<u>(808,268)</u>	<u>808,268</u>
GASB Statement No. 3	<u>\$ (94,964)</u>	<u>\$ 808,268</u>



MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 7: 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 2000 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 2000 was \$41.30 for Carroll, and \$41.80 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 \$29.10 for Carroll, and \$29.60 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 2000 was \$41.30 for Carroll, and \$41.80 for Columbiana and Stark Counties per \$1,000 of assessed value.

**STARK COUNTY**

Real Property – 2000 Valuation

Residential/Agricultural	\$	61,768,340
Commercial/Industrial		12,400,060
Public Utilities		3,130
Minerals		228,280

Tangible Personal Property – 2001 Valuation

General		12,615,159
Public Utilities		<u>3,244,040</u>
Total Valuation	\$	<u>90,259,009</u>

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 7: PROPERTY TAXES (Continued)

**CARROLL COUNTY**

Real Property – 2000 Valuation

Residential/Agricultural	\$	21,068,160
Commercial/Industrial		6,733,850
Minerals		4,810
Public Utilities		44,840

Tangible Personal Property – 2001 Valuation

General		13,379,040
Public Utilities		<u>2,419,340</u>

Total Valuation \$ 43,650,040

**COLUMBIANA COUNTY**

Real Property – 2000 Valuation

Residential/Agricultural	\$	27,934,920
Commercial/Industrial		1,507,460
Public Utilities		0
Minerals		278,850

Tangible Personal Property – 2001 Valuation

General		1,253,470
Public Utilities		<u>3,609,810</u>

Total Valuation \$ 34,584,510

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, 2001. 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 \$132,457 is recognized as revenue.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 8: RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (customer services and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
CAFS	\$ 2,389
IKE Grant	8,374
Retarded/Disabled Program	<u>7,115</u>
Total General Fund	17,878
Special Revenue Fund:	
Family Council	5,580
SIRI Mini Grant	<u>1,000</u>
Total Special Revenue Fund	6,580
Capital Projects Fund:	
Ohio School Facilities Commission ADA Grant	<u>9,491</u>
	<u><u>\$ 33,949</u></u>

NOTE 9: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2001</u>
Land and Buildings	\$ 4,948,011	\$ 188,794	\$ 0	\$ 5,136,805
Furniture and equipment	1,784,006	96,276	0	1,880,282
Vehicles	<u>988,502</u>	<u>120,455</u>	<u>63,849</u>	<u>1,045,108</u>
	<u>\$ 7,720,519</u>	<u>\$ 405,525</u>	<u>\$ 63,849</u>	<u>\$ 8,062,195</u>

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>June 30, 2001</u>
Equipment	\$ 87,717
Less: Accumulated Depreciation	<u>(64,675)</u>
Net Fixed Assets	<u><u>\$ 23,042</u></u>

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 10: LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the fiscal year 2001 were as follows:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2001</u>
Energy Notes:				
1990 - 6.50% interest rate, maturing August 2000	\$ 5,500	\$ 0	\$ (5,500)	\$ 0
1992 - 6.1% interest rate, maturing November 2002	22,500	0	(9,000)	13,500
1994 - 6.10% interest rate, maturing January 2004	18,750	0	(5,000)	13,750
1997 - 6.00% interest rate, maturing August 2007	131,225	0	(18,100)	113,125
1999 - 5.25% interest rate, maturing June 2009	100,309	0	(8,934)	91,375
Total energy notes	<u>278,284</u>	<u>0</u>	<u>(46,534)</u>	<u>231,750</u>
Early retirement incentive payable	0	20,000	0	20,000
Intergovernmental payable	66,583	92,561	(66,583)	92,561
Compensated absences	1,523,792	0	(308,881)	1,214,911
Capital lease payable	62,903	0	(30,066)	32,837
	<u>\$ 1,931,562</u>	<u>\$ 112,561</u>	<u>\$ (452,064)</u>	<u>\$ 1,592,059</u>

Energy conservation notes were issued to provide energy improvements to various buildings.

The annual requirements to retire note debt, including interest of \$45,118 are as follows:

<u>Year Ending June 30</u>	<u>Notes</u>
2002	\$ 53,881
2003	47,475
2004	40,237
2005	35,275
2006	34,193
2007-2009	<u>65,807</u>
Total	<u>\$ 276,868</u>

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 11: CAPITALIZED LEASES

The District entered into a lease agreement for a copy machine. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reflected as debt service in the general purpose financial statements for the governmental funds.

The fixed assets acquired by leases have been capitalized in the general fixed assets account group at an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001:

Year ending June 30, 2002	\$ 35,600
Less: amount representing interest	<u>2,763</u>
Present value of minimum lease payments	<u>\$ 32,837</u>

NOTE 12: NONCANCELLABLE OPERATING LEASES

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, 2001:

<u>Year Ending June 30</u>	<u>Amount</u>
2002	\$ 12,006
2003	6,888
2004	4,073
2005	332

Rental expense amounted to \$51,279 for the year ended June 30, 2001.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 13: DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$709,227, \$420,979 and \$392,442, respectively; 74% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$181,196, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. 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 District's contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$266,166, \$261,959, and \$118,668, respectively; 50% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$133,260, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 13: DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

NOTE 14: POSTEMPLOYMENT 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. Through June 30, 2001, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$335,949 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000 (the most current information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45% of covered payroll, an increase from 6.30% for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 14: POSTEMPLOYMENT BENEFITS (Continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the most current information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$193,872 during the 2001 fiscal year.

NOTE 15: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$82,976.

NOTE 16: INTERFUND TRANSACTIONS

As of June 30, 2001, receivables and payables that resulted from various interfund transactions (advances) were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 39,158	\$ 0	\$ 24,001	\$ 0
Special Revenue Funds:				
Public School Fund	0	11,308	0	0
SIRI Grant	0	1,000	0	5,450
District Managed Student Activity	0	11,191	0	0
Vocational Education Grant	0	536	0	0
Comprehensive School Reform Grant	0	0	0	9,995
Capital Projects Funds:				
Schoolnet	0	15,123	0	0
Classroom Facilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,556</u>
Totals	<u>\$ 39,158</u>	<u>\$ 39,158</u>	<u>\$ 24,001</u>	<u>\$ 24,001</u>



MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 17: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Refund</u>	<u>Totals</u>
Set-aside balance as of June 30, 2001	\$ (14,713)	\$ 0	\$ 187,500	\$ 172,787
Current year set-aside requirement	294,119	294,119	0	588,238
Workers Compensation Refund	0	0	1,129	1,129
Current year qualifying disbursements	(298,422)	(270,261)	0	(568,683)
Amount returned to General Fund	<u>0</u>	<u>0</u>	<u>(118,523)</u>	<u>(118,523)</u>
Total	<u>\$ (19,016)</u>	<u>\$ 23,858</u>	<u>\$ 70,106</u>	<u>\$ 74,948</u>
Balance carried forward to FY 2002	<u>\$ (19,016)</u>	<u>\$ 23,858</u>	<u>\$ 70,106</u>	

Effective April 10, 2001, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the General fund and used at the discretion of the of the District's Board of Education.

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements in future years.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 17: STATUTORY RESERVES (Continued)

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refund	\$ 70,106
Amount restricted for capital acquisition	<u>23,858</u>
	<u>\$ 93,964</u>

NOTE 18: RELATED ORGANIZATIONS

The Dover Public Library (the “Library”) is a related organization to the District. The school board members are responsible for appointing all the trustees of Dover Public Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during the fiscal year 2001.

NOTE 19: 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, 2001:

Operating revenues	\$ 306,362	\$ 9,138	\$ 315,500
Operating expenses, less depreciation	593,428	381	593,809
Depreciation expense	1,642	0	1,642
Operating income (loss)	(288,708)	8,757	(279,951)
Donated commodities	82,976	0	82,976
Nonoperating grants	168,361	0	168,361
Operating transfers in	55,306	0	55,306
Net income (loss)	17,935	8,757	26,692
Net working capital	(88,451)	16,562	(71,889)
Fixed asset additions	19,806	0	19,806
Total assets	56,445	16,562	73,007
Total equity (deficit)	(65,409)	16,562	(48,847)

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 20: RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$5,000 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$25,383,000. The District's vehicle insurance policy limit is \$1,000,000 with a \$250 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the District carries a \$5,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 in aggregate. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

The Treasurer, Board President and Superintendent are covered under surety bonds in the amount of \$25,000. In addition, the people collecting money are covered under bonds of \$2,000 each.

C. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

The District is self insured for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$40,000 per covered individual. The claims liability of \$358,380 reported in the Internal Service Fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, to be reported.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 20: RISK MANAGEMENT (Continued)

Changes in the fund's claims liability for the fiscal years 2001 and 2000 are as follows:

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2001	\$ 124,905	\$ 1,462,418	\$ 1,228,943	\$ 358,380
2000	\$ 104,828	\$ 1,391,306	\$ 1,371,229	\$ 124,905

NOTE 21: PUBLIC ENTITY RISK POOL

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The group is comprised of the treasurers of the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the District by the group with other members of the group. The injury claim history of all participating members are used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member annually based on its payroll percent of the group.

NOTE 22: JOINTLY GOVERNED ORGANIZATIONS

A. Stark Portage Area Computer Consortium

Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The District paid \$65,132 to SPARCC during the fiscal year 2001. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709-2300.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 22: JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Stark County Joint Vocational School

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 23: CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is not party to any claims or lawsuits that would have a material effect on the general purpose financial statements.

NOTE 24: STATE SCHOOL FUNDING DECISION

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

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

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

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NOTE 24: STATE SCHOOL FUNDING DECISION (Continued)

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 1, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such consideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 25: SUBSEQUENT EVENTS

The District has begun the Ohio School Facilities Commission Expedited Local Partnership Program. In November 2001, the District passed a \$5.2 mill levy for the local share (32%) of the project, which will be approximately \$14,025,000. On December 18, 2001, the District issued a \$10,000,000 bond anticipation note. The note is payable on August 22, 2002, plus interest at 2.94%. On January 14, 2002, the District issued a \$4,025,000 bond anticipation note. The note is payable on August 22, 2002, plus interest at 1.99%.

# Rea & Associates, Inc.

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## ACCOUNTANTS AND BUSINESS CONSULTANTS

January 30, 2002

To the Board of Education  
Minerva Local School District  
Minerva, OH 44657

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

We have audited the financial statements of Minerva Local School District (the "District") as of and for the year ended June 30, 2001, and have issued our report thereon dated January 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2001 - 1. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 30, 2002.

### 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001 - 2.

Minerva Local School District  
Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
January 30, 2002  
Page 2

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. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated January 30, 2002.

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

*Hea & Associates, Inc.*



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 30, 2002

To the Board of Education  
Minerva Local School District  
Minerva, OH 44657

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

## Compliance

We have audited the compliance of Minerva Local School District (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 each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the "summary of auditor's results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, Minerva Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Minerva Local School District  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
January 30, 2002  
Page 2

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.

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

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of Minerva Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated January 30, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

*Rea & Associates, Inc.*

MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION Passed through Ohio Department of Education						
Title 1, Part A, ESEA Elementary and Secondary Education Act	84.010	C1-S1 2001	\$ 256,280		\$ 223,692	
Special Education Grants to States	84.027	6B-SF 2001	166,484		147,934	
Title VI, of IESA Innovative Education Program Strategies	84.298	C2-S1 2001	10,968		10,968	
Title VI R Class Reduction	84.340	CR-S1 2000	32,424		32,424	
		CR-S1 2001	44,888		43,375	
Total Title VI R			<u>77,312</u>		<u>75,799</u>	
Eisenhower Professional Development Grant	84.281	MS-S1 2001	8,648		2,067	
Safe, Drug-Free Schools & Communities Act Grant	84.186	DR-S1 2001	9,190		4,978	
Vocational Education - Basic Grants to States	84.048	FY2000	0		706	
Comprehensive School Reform Grant	84.332	RF-S1-1999	0		13,952	
		RF-S1-2000	0		22,295	
		RF-S1-2001	54,000		37,283	
			<u>54,000</u>		<u>73,530</u>	
Total U. S. Department of Education			<u>582,882</u>		<u>539,674</u>	
U. S. DEPARTMENT OF AGRICULTURE Passed through Ohio Department of Education: Nutrition Cluster:						
Food Distribution Program	10.550	FY01		\$ 82,976		\$ 82,976
National School Lunch Program	10.555	LL-P1 2000	29,795		29,795	
		LL-P1 2001	94,629		94,629	
		LL-P4 2000	8,333		8,333	
		LL-P4 2001	26,393		26,393	
Total National School Lunch Program			<u>159,150</u>		<u>159,150</u>	
Total US Department of Agriculture - Nutrition Cluster			<u>159,150</u>	<u>82,976</u>	<u>159,150</u>	<u>82,976</u>
Total Federal Financial Assistance			<u>\$ 742,032</u>	<u>\$ 82,976</u>	<u>\$ 698,824</u>	<u>\$ 82,976</u>

MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2001

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2001, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2001

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

A-133 Ref.  
.505(d)

(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)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I, Nutrition Cluster: Food Distribution Program, National School Lunch Program	CFDA # 84.010, CFDA #10.550 and CFDA # 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

**MATERIAL NONCOMPLIANCE**

**2001 – 1**

Ohio Rev. Code Section 5705.14 states money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority. Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made.

MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
JUNE 30, 2001

<b>2001 – 1 (Continued)</b>	
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During fiscal year June 30, 2001, many transfers and advances were made, none of which were approved by the District’s Board of Education. During our testing, it was noted numerous advances were made with no intention of repayment, and therefore should have been classified as transfers. In addition, a transfer of \$16,216 was made from the Uniform School Supplies Enterprise Fund to the General Fund without formal documentation to substantiate the amount. The Treasurer transferred the \$16,216 back to the Uniform School Supplies Fund during the audit upon our notification of this situation.

The Treasurer should review each transaction to determine proper classification as a transfer or advance, and obtain Board approval for each individual transaction involving an advance or transfer of funds prior to making the transaction.

**REPORTABLE CONDITIONS**

<b>2001 – 2</b>	<b>Student Activities – Fund Raisers</b>
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During our testing of the extracurricular activity fund raisers, we noted Sales Project Potential Forms were not always completed and/or were only partially completed. The Sales Project Potential Form is designed to account for income (actual and projected) from student activity projects. The purpose is to provide information to project sponsors and administrators to help them determine whether projects are functioning in accordance with adopted board policies. Thus, they help to determine whether projects have been properly approved and whether sales monies have been properly accounted for.

In general, activity advisors are only completing the top portion of the form, reflecting the fund raiser’s projected revenues. The bottom portion of the form, which would indicate the amount of goods sold, the selling price, total costs and total revenues, was not completed. A Sales Project Potential Form was only partially completed for the following activities:

<u>School/Club</u>	<u>Activity</u>
High School	Yearbook Sales
Junior High School	Great Western Reserve Sales
M.I. Day Elementary School	Magazine Sales
FFA Club	Citrus Fruit Sales
Drama Club	Candle Sales

Additionally, we noted that sufficient records for the Drama Club Candle Sales Fund Raiser were not maintained by the advisor. Weaknesses were also noted in relation to records supporting the FFA Club Citrus Fruit Sales Fund Raiser. Source documentation provides important information to support the recorded transactions and can aid in identifying and correcting errors.

MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
JUNE 30, 2001

<b>2001 – 2 (Continued)</b>	<b>Student Activities – Fund Raisers</b>
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Sales Project Potential Forms should be submitted for proper approval prior to commencing the project activity. Forms should be properly completed and advisors should maintain appropriate source documentation. A fund raiser reconciliation should be prepared at the end of project activity. The reconciliation should provide documentation of total project receipts and disbursements, as well as any unusual circumstances occurring during the sale, such as loss of merchandise or disposition of unsold merchandise. Subsequently, all fund raising activity records should be submitted to the appropriate level of management.

Adequate control over student activity projects will help ensure that revenue is properly recorded, and that errors are detected in a timely manner.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>NONE</b>	
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<b>4. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>
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Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-11276-003	<u>Student Activities – Fund Raiser</u> Sales Project Potential Forms were not always prepared, submitted and approved, and monitored.	No	Partially Corrected; Some improvement was made over a few activities but not all.
2000-11276-002	GAAP-Basis annual reports were filed after the 150 day deadline.	Yes	
2000-11276-001	Fund level expenditures plus outstanding encumbrances exceeded appropriations in numerous funds as a result of final appropriations modifications not being approved by the Board prior to year end.	No	Partially Corrected; final appropriation modifications were approved by the Board prior to June 30, 2001. Only one fund's expenditures plus outstanding encumbrances did exceed appropriations. The amount was not material, and was reported in the management letter.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 18, 2002**