

# **Minerva Local School District**

*Audited Financial Statements*

***June 30, 2003***





**Auditor of State  
Betty Montgomery**

Board of Education  
Minerva Local School District

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, 2002 through June 30, 2003. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 3, 2004

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**MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY  
JUNE 30, 2003**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 4, 2004

The Board of Education  
Minerva Local School District  
Massillon, Ohio

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Minerva Local School District, Stark County, Ohio (the "School District") as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these basic 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 Governmental 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 the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Minerva Local School District, as of June 30, 2003, and the respective changes in financial position, where applicable, and the respective budgetary comparison of the General Fund thereafter for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As stated in Note 4, the School District adopted Governmental Accounting Standards Board (GASB) Statements No. 34, "Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2004 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

*Rea & Associates, Inc.*

**Minerva Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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The discussion and analysis of the Minerva Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2003 are as follows:

- ❑ General Revenues accounted for \$15.6 million in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2.1 million or 12% of total revenues of \$17.7 million.
- ❑ Total program expenses were \$17.5 million.
- ❑ In total, net assets increased \$250,599, which represents a 47% increase from 2002.
- ❑ Outstanding bond and note debt decreased from \$14,215,189 to \$14,027,597 through principal payments.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Minerva Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Minerva Local School District, the general fund and the classroom facilities funds by far are the most significant funds.

A question typically asked about the School District's finances "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of



**Minerva Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is reported as a governmental activity.

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Debt Service Fund and the Classroom Facilities Fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service and Classroom Facilities Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The school district adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 13.

**Minerva Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
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**Fiduciary Funds** – The School District’s only fiduciary fund is for Student Managed Activities. The School District’s fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District’s other financial statements because the assets can’t be used by the School District to finance operations.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2003	2002
<b>Assets</b>		
Current and Other Assets	\$ 20,158,483	\$ 34,753,050
Capital Assets	4,062,780	2,950,723
Total Assets	24,221,263	37,703,773
<b>Liabilities</b>		
Long-Term Liabilities	15,562,724	29,969,644
Other Liabilities	7,875,418	7,201,607
Total Liabilities	23,438,142	37,171,251
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	2,517,690	2,491,972
Restricted	13,720,901	28,163,686
Unrestricted (Deficit)	(15,455,470)	(30,123,136)
Total Net Assets	\$ 783,121	\$ 532,522

**Minerva Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

Total assets decreased by \$13 million. An increase of approximately \$1.4 million in total capital assets reflects additional purchases exceeding depreciation. The majority of the decrease in total assets was due to a decrease in investments that were used to retire bond anticipation notes. Total liabilities decreased by \$13.7 million. This decrease was the result of \$14 million of bond anticipation notes being retired.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Governmental and Business-Type Activities**  
**Changes in Net Assets**

	Governmental Activities
	2003
<b>Revenues</b>	
<i>Program Revenues:</i>	
Charges for Services	\$ 1,041,083
Operating Grants	1,088,388
<i>General Revenue:</i>	
Property Taxes	6,530,427
Grants and Entitlements	8,600,092
Other	467,315
<i>Total Revenues</i>	17,727,305
<b>Program Expenses</b>	
Instruction	10,167,926
Support Services	5,479,133
Operation of Non-Instructional	26,761
Food Service Operations	613,670
Extracurricular Activities	502,739
Interest and Fiscal Charges	686,477
<i>Total Expenses</i>	17,476,706
Increase (Decrease) in Net Assets	\$ 250,599

**Minerva Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$17.7 million and expenditures of \$17.9 million. Comparisons to 2002 have not been made since they are not available.

**(Table 3)**  
**Governmental Activities**  
**Total and Net Cost of Services**

	2003	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 10,167,926	\$ 8,914,189
Support Services:		
Pupil and Instructional Staff	1,711,707	1,611,901
Board of Education, Administration, Fiscal and Business	1,809,602	1,781,361
Operation and Maintenance of Plant	1,054,614	1,052,454
Pupil Transportation	744,567	740,310
Central	158,643	158,590
Operation of Non-Instructional	26,761	18,207
Food Service Operations	613,670	53,476
Extracurricular Activities	502,739	330,270
Interest and Fiscal Charges	686,477	686,477
Total Expenses	\$ 17,476,706	\$ 15,347,235

Instruction and student support services comprise 78% of governmental program expenses. Interest/fiscal charges were 4%. Interest expense was attributable to the outstanding bonds and notes payable, and fiscal expenses include payments to the County Auditor(s) for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 11% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Minerva Local School District.

**Minerva Local School District**  
*Management's Discussion and Analysis*  
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**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2003, the School District amended its general fund budget one time. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, budget basis revenue was \$14.6 million, over the original budget estimates of \$14.2 million. Of this \$400,000 increase, most was attributable to an accounting presentation for the open enrollment students.

Final appropriations of \$14.9 million, were \$700,000 higher than the \$14.2 million in the original budget. Salaries, liability/property/fleet insurance, and county auditor fees (for tax collections) proved to be higher than anticipated. A number of aide positions were added during the year to assist with students with special needs. Property/liability/fleet insurances saw significant increases in response to the events of September 11, 2001.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2003, the School District had \$4 million invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal year 2003 balances compared with 2002.

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2003	2002
Land	\$ 32,903	\$ 32,903
Buildings and Improvements	2,288,351	2,129,110
Furniture and Equipment	151,689	155,525
Vehicles	387,276	364,629
Construction in Progress	1,202,561	268,556
Totals	\$ 4,062,780	\$ 2,950,723

The \$1,111,247 increase in capital assets was attributable to additional purchases exceeding depreciation.

**Minerva Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
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**Capital Assets (Continued)**

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2003, this amounted to \$287,634 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for textbooks. For the capital improvements, the School District disbursed \$244,906, with the remainder scheduled to be carried forward into the 2004 fiscal year.

**Debt**

At June 30, 2003, the School District had \$14,027,597 in bonds and notes outstanding with \$207,361 due within one year. During fiscal year 2003, \$14,212,592 of general obligation bonds and notes were retired. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2003	Governmental Activities 2002
Energy Notes:		
Maturing November 2002	\$ 0	\$ 4,500
Maturing January 2004	3,750	8,750
Maturing August 2007	76,925	95,025
Maturing June 2009	71,922	81,914
Total Energy Notes	152,597	190,189
Bond Anticipation Notes:		
Maturing August 2002	0	10,000,000
Maturing August 2002	0	4,025,000
Total Bond Anticipation Notes	0	14,025,000
General Obligation Bonds:		
Maturing December 2002	0	150,000
Maturing December 2003	175,000	175,000
Maturing December 2004	200,000	200,000
Maturing December 2005	225,000	225,000
Maturing December 2006	250,000	250,000
Maturing December 2007	275,000	275,000
Maturing December 2008	300,000	300,000
Maturing December 2009	325,000	325,000
Maturing December 2010	350,000	350,000
Maturing December 2011	155,576	155,576
Maturing December 2012	139,424	139,424
Maturing December 2020	4,200,000	4,200,000
Maturing December 2029	7,280,000	7,280,000
Total General Obligation Bonds	13,875,000	14,025,000
Totals	\$ 14,027,597	\$ 14,215,189

**Minerva Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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**Debt (Continued)**

In 1999, the School District passed a bond issue providing \$14,025,000 to construct a new middle and renovate the high school in the District. Bond Anticipation Notes (\$14,025,000) were issued in 2002 and were paid off in 2003 with proceeds (\$14,025,000) of bonds also issued in 2002. The School District voters passed a property tax levy in 2001 to provide the funding to pay off the bonds.

***Current Issues***

The Minerva Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. While the Minerva Local School District continues to show academic improvement, our financial situation has deteriorated. Actions taken by the state legislature are having a negative impact on the financial stability of the district.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 73% of revenues for governmental activities for the Minerva Local School District in fiscal year 2003.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses while still striving to continue academic success. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. Beginning in fiscal year 2002 the state provided for a new form of funding called parity aid. Parity aid is available to low wealth districts that meet certain conditions. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Minerva Local School District is anticipating only very limited growth in state revenue through continued receipt of parity aid. The district is experiencing reduced basic state aid because of the effects of static enrollment and reappraisals of property values. The current state funding formula results in less state funding as the result of reappraisals. Because of the effect of House Bill 920 as noted above increases in property taxes are very limited as the result of reappraisals. How the legislature plans to fund education programs during a weakened economy remains a concern.

**Minerva Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**Current Issues (Continued)**

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michael Pence, Treasurer of Minerva Local School District, 401 North Market St., Minerva, Ohio 44657 or [mcp1@minerva.stark.k12.oh.us](mailto:mcp1@minerva.stark.k12.oh.us).



MINERVA LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 6,423,384
Cash and Cash Equivalents:	
In Segregated Accounts	2,429
Investments	7,075,228
Receivables:	
Taxes	6,434,442
Accounts	3,806
Accrued Interest	33,068
Intergovernmental	113,922
Inventory	72,204
Nondepreciable Capital Assets	32,903
Depreciable Capital Assets (Net)	<u>4,029,877</u>
<i>Total Assets</i>	<u>24,221,263</u>
<b>Liabilities</b>	
Accounts Payable	102,329
Contracts Payable	52,462
Accrued Wages and Benefits	1,348,920
Intergovernmental Payable	439,775
Deferred Revenue	5,664,842
Claims Payable	107,090
Early Retirement Incentive Payable	160,000
Long Term Liabilities:	
Due Within One Year	484,941
Due Within More Than One Year	<u>15,077,783</u>
<i>Total Liabilities</i>	<u>23,438,142</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,517,690
Restricted for:	
Capital Projects	12,909,194
Debt Service	759,877
Other Purposes	51,830
Unrestricted	<u>(15,455,470)</u>
<i>Total Net Assets</i>	<u>\$ 783,121</u>

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

**MINERVA LOCAL SCHOOL DISTRICT**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 8,276,260	\$ 579,674	\$ 162,347	\$ (7,534,239)
Special	1,798,541	170,175	341,541	(1,286,825)
Vocational	83,699	0	0	(83,699)
Adult continuing	9,426	0	0	(9,426)
Support services:				
Pupils	930,235	6,598	13,243	(910,394)
Instructional staff	781,472	26,593	53,372	(701,507)
Board of education	45,790	0	0	(45,790)
Administration	1,302,336	6,994	14,036	(1,281,306)
Fiscal	404,325	2,268	4,551	(397,506)
Business	57,151	130	262	(56,759)
Operation and maintenance of plant	1,054,614	718	1,442	(1,052,454)
Pupil transportation	744,567	1,416	2,841	(740,310)
Central	158,643	18	35	(158,590)
Operation of non-instructional services	26,761	2,845	5,709	(18,207)
Food Service Operations	613,670	186,298	373,896	(53,476)
Extracurricular activities	502,739	57,356	115,113	(330,270)
Debt service:				
Interest and fiscal charges	686,477	0	0	(686,477)
<b>Totals</b>	<b>\$ 17,476,706</b>	<b>\$ 1,041,083</b>	<b>\$ 1,088,388</b>	<b>(15,347,235)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	5,539,306
Debt Service	991,121
Grants and Entitlements not Restricted to Specific Programs	8,600,092
Investment Earnings	433,303
Miscellaneous	30,541
Gain on Sale of Capital Assets	1,165
Other Non-operating Revenue	1,564
Net Transfers	742
<b>Total General Revenues</b>	<b>15,597,834</b>
Change in Net Assets	250,599
Net Assets Beginning of Year - Restated	532,522
Net Assets End of Year	<b>\$ 783,121</b>

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

**MINERVA LOCAL SCHOOL DISTRICT**

*Balance Sheet  
Governmental Funds  
June 30, 2003*

	General	Debt Service	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 19,767	\$ 465,602	\$ 5,859,945	\$ 78,070	\$ 6,423,384
Cash and Cash Equivalents:					
In Segregated Accounts	0	0	0	2,429	2,429
Investments In Segregated Accounts	0	0	7,075,228	0	7,075,228
Receivables:					
Taxes	5,542,495	891,947	0	0	6,434,442
Accounts	1,016	0	0	2,790	3,806
Interfund	123,700	0	0	464	124,164
Accrued Interest	0	0	33,068	0	33,068
Intergovernmental	1,100	0	0	112,822	113,922
Inventory	32,818	0	0	39,386	72,204
Advances to Other Funds	5,450	0	0	0	5,450
<i>Total Assets</i>	<u>\$ 5,726,346</u>	<u>\$ 1,357,549</u>	<u>\$ 12,968,241</u>	<u>\$ 235,961</u>	<u>\$ 20,288,097</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 79,720	\$ 0	\$ 6,585	\$ 16,024	\$ 102,329
Contracts Payable	0	0	52,462	0	52,462
Accrued Wages and Benefits	1,265,843	0	0	83,077	1,348,920
Interfund Payable	131,994	0	0	124,164	256,158
Advances from Other Funds	0	0	0	5,450	5,450
Intergovernmental Payable	282,530	0	0	19,880	302,410
Deferred Revenue	5,179,786	833,577	0	77,975	6,091,338
Early Retirement Incentive Payable	160,000	0	0	0	160,000
<i>Total Liabilities</i>	7,099,873	833,577	59,047	326,570	8,319,067
<b>Fund Balances</b>					
<b>Fund Balance:</b>					
Reserved for Encumbrances	38,615	0	11,634	3,185	53,434
Reserved for Inventory	32,818	0	0	39,386	72,204
Reserved for Tax Revenue Unavailable for Appropriation	362,709	58,370	0	0	421,079
Reserved for Capital Improvements/Maintenance	158,732	0	0	0	158,732
Reserved for Budget	70,106	0	0	0	70,106
Reserved for Advances	5,450	0	0	0	5,450
<b>Unreserved:</b>					
<b>Undesignated, Unreserved Reported in:</b>					
General Fund	(2,041,957)	0	0	0	(2,041,957)
Special Revenue Funds	0	0	0	(133,180)	(133,180)
Debt Service Fund	0	465,602	0	0	465,602
Capital Projects Funds	0	0	12,897,560	0	12,897,560
<i>Total Fund Balances</i>	<u>(1,373,527)</u>	<u>523,972</u>	<u>12,909,194</u>	<u>(90,609)</u>	<u>11,969,030</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,726,346</u>	<u>\$ 1,357,549</u>	<u>\$ 12,968,241</u>	<u>\$ 235,961</u>	<u>\$ 20,288,097</u>

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

**MINERVA LOCAL SCHOOL DISTRICT**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2003*

Total Governmental Fund Balances		\$ 11,969,030
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		4,062,780
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	77,975	
Delinquent Property Taxes	348,521	426,496
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		24,904
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(14,027,595)	
Compensated Absences	(1,535,129)	
Intergovernmental Payable	(137,365)	(15,700,089)
Net Assets of Governmental Activities		\$ 783,121

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

**MINERVA LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Debt Service	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 5,357,553	\$ 942,808	\$ 0	\$ 0	\$ 6,300,361
Intergovernmental	8,547,064	53,028	0	1,010,413	9,610,505
Investment income	40,239	0	390,619	0	430,858
Tuition and fees	498,782	0	0	8,999	507,781
Extracurricular activities	0	0	0	234,624	234,624
Charges for services	0	0	0	298,678	298,678
Miscellaneous	25,279	0	0	20,978	46,257
<i>Total Revenues</i>	<u>14,468,917</u>	<u>995,836</u>	<u>390,619</u>	<u>1,573,692</u>	<u>17,429,064</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	7,844,184	0	0	299,657	8,143,841
Special	1,289,850	0	0	573,130	1,862,980
Vocational	71,975	0	0	0	71,975
Adult continuing	9,232	0	0	0	9,232
Support services:					
Pupils	913,824	0	0	22,027	935,851
Instructional staff	696,450	0	0	88,775	785,225
Board of education	45,389	0	455	0	45,844
Administration	1,168,130	0	0	24,217	1,192,347
Fiscal	349,587	12,240	0	7,570	369,397
Business	56,716	0	0	435	57,151
Operation and maintenance of plant	1,031,706	0	0	2,398	1,034,104
Pupil transportation	830,545	0	0	4,242	834,787
Central	50,135	0	0	59	50,194
Operation of non-instructional services	14,791	0	0	9,496	24,287
Food Service Operations	0	0	0	625,599	625,599
Extracurricular activities	304,005	0	0	191,468	495,473
Capital outlay	43,375	0	1,126,407	0	1,169,782
Debt service:					
Principal retirement	0	14,212,592	0	0	14,212,592
Interest and fiscal charges	0	686,477	0	0	686,477
<i>Total Expenditures</i>	<u>14,719,894</u>	<u>14,911,309</u>	<u>1,126,862</u>	<u>1,849,073</u>	<u>32,607,138</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(250,977)	(13,915,473)	(736,243)	(275,381)	(15,178,074)
<b>Other Financing Sources (Uses):</b>					
Proceeds from sales of fixed assets	1,165	0	0	0	1,165
Operating transfers in	742	14,270,990	0	0	14,271,732
Operating transfers out	0	0	(14,270,990)	0	(14,270,990)
<i>Total Financing Sources and (Uses)</i>	<u>1,907</u>	<u>14,270,990</u>	<u>(14,270,990)</u>	<u>0</u>	<u>1,907</u>
<i>Net Change in Fund Balance</i>	(249,070)	355,517	(15,007,233)	(275,381)	(15,176,167)
<i>Fund balance (deficit) at beginning of year - Restated</i>	(1,122,422)	168,455	27,916,427	145,386	27,107,846
<i>Increase (decrease) in reserve for inventory</i>	(2,035)	0	0	39,386	37,351
<i>Fund balance (deficit) at end of year</i>	<u>\$ (1,373,527)</u>	<u>\$ 523,972</u>	<u>\$ 12,909,194</u>	<u>\$ (90,609)</u>	<u>\$ 11,969,030</u>

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

**MINERVA LOCAL SCHOOL DISTRICT**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds		\$ (15,176,167)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Fixed Asset Additions	1,387,064	
Current Year Depreciation	<u>(275,007)</u>	1,112,057
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Grants	77,975	
Delinquent Property Taxes	<u>230,066</u>	308,041
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	14,175,000	
Notes Payable	<u>37,592</u>	14,212,592
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
Vacation Payable		
Compensated Absences	(203,774)	
Pension Obligation	(27,794)	
Change in Inventory	<u>37,351</u>	(194,217)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(11,707)</u>
 Change in Net Assets of Governmental Activities		 <u>\$ 250,599</u>

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

**MINERVA LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2003*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Taxes	\$ 5,662,119	\$ 5,207,581	\$ 5,207,581	\$ 0
Intergovernmental	7,496,553	8,539,539	8,562,428	22,889
Investment Income	35,230	39,819	40,239	420
Tuition and Fees	437,889	489,054	500,149	11,095
Miscellaneous	24,920	28,463	28,463	0
<i>Total Revenues</i>	<u>13,656,711</u>	<u>14,304,456</u>	<u>14,338,860</u>	<u>34,404</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	8,715,275	9,146,079	9,152,370	(6,291)
Support Services				
Pupils	951,413	917,761	917,761	0
Instructional Staff	628,050	672,604	672,692	(88)
Board of Education	62,152	48,045	47,820	225
Administration	1,208,497	1,193,141	1,192,018	1,123
Fiscal	369,553	380,670	359,156	21,514
Business	72,300	57,384	57,384	0
Operation and Maintenance of Plant	969,985	1,044,455	1,044,455	0
Pupil Transportation	698,958	845,562	845,562	0
Central	38,450	45,873	45,873	0
Operation of Non-Instructional Services	11,000	35,740	35,740	0
Extracurricular Activities	291,182	304,660	304,660	0
Capital Outlay	57,185	43,375	43,375	0
Debt Service				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total Expenditures</i>	<u>14,074,000</u>	<u>14,735,349</u>	<u>14,718,866</u>	<u>16,483</u>
Excess of Revenues Over (Under) Expenditures	(417,289)	(430,893)	(380,006)	50,887
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	1,165	1,165	1,165	0
Advances In	509,120	273,520	190,591	(82,929)
Advances Out	0	(87,731)	(87,643)	88
Operating Transfers In	70,570	0	742	742
Operating Transfers Out	(101,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>479,855</u>	<u>186,954</u>	<u>104,855</u>	<u>(82,099)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	62,566	(243,939)	(275,151)	(31,212)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>245,322</u>	<u>245,322</u>	<u>245,322</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 307,888</u>	<u>\$ 1,383</u>	<u>\$ (29,829)</u>	<u>\$ (31,212)</u>

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

**MINERVA LOCAL SCHOOL DISTRICT**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2003*

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	<u>Governmental Activities Internal Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 0
Receivables:	
Interfund	<u>131,994</u>
<i>Total Assets</i>	<u>131,994</u>
<b>Liabilities</b>	
Claims Payable	<u>107,090</u>
<i>Total Liabilities</i>	<u>107,090</u>
<b>Net Assets</b>	
Unrestricted	<u>24,904</u>
<i>Total Net Assets</i>	<u><u>\$ 24,904</u></u>

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



**MINERVA LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2003*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,582,174
<i>Total Operating Revenues</i>	<u>1,582,174</u>
<b>Operating Expenses:</b>	
Purchased services	249,134
Materials and supplies	4,839
Claims Expense	1,343,917
<i>Total Operating Expenses</i>	<u>1,597,890</u>
Operating Loss	<u>(15,716)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Other non-operating revenue	1,564
Interest	2,445
<i>Total Non-Operating Revenues</i>	<u>4,009</u>
<i>Change in Net Assets</i>	(11,707)
<i>Net Assets Beginning of Year</i>	<u>36,611</u>
<i>Net Assets End of Year</i>	<u><u>\$ 24,904</u></u>

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

**MINERVA LOCAL SCHOOL DISTRICT**

*Statement of Cash Flows*

*Proprietary Funds*

*For the Fiscal Year Ended June 30, 2003*

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	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities:</b>	
Cash Received from Customers	\$ 1,582,174
Cash Paid for Goods and Services	(253,973)
Cash Paid for Claims	<u>(1,528,471)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>(200,270)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Transfers to Other Funds	(131,994)
Other Non-Operating Revenue	<u>1,564</u>
<i>Net Cash Provided By Non-Capital Activities</i>	<u>(130,430)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	<u>2,445</u>
<i>Net Cash Provided By Investing Activities</i>	<u>2,445</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(328,255)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>328,255</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 0</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Loss	\$ (15,716)
Adjustments:	
Claims Payable	<u>(184,554)</u>
<i>Total Adjustments</i>	<u>(184,554)</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ (200,270)</u></u>

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

**MINERVA LOCAL SCHOOL DISTRICT**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2003*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>109,012</u>
<b>Liabilities</b>	
Accounts Payable	\$ 1,234
Due to Students	62,778
Due to Other Governments	<u>45,000</u>
<i>Total Liabilities</i>	<u>\$ 109,012</u>

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

## MINERVA LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

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

The Minerva Local School District (School 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 School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of October 1, 2002, was 2,187. The School District employs 154 certificated and 94 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 basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

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

The School 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 20.

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

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### ***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

## MINERVA LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2003

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#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

#### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

**Debt Service Fund** The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of general obligation bonds used for the construction of a new middle school and renovations to the high school.

## MINERVA LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2003

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#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Classroom Facilities Capital Projects Fund*** The classroom facilities capital projects fund accounts for financial resources to be used in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of major capital facilities.

The other governmental funds of the School District account for grants and other resources, including food service operations, whose use is restricted to a particular purpose.

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the School District's proprietary fund type:

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program, which provides medical benefits to employees.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are agency which account for student activities.

#### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School 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 the taxes are levied. (See Note 8.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Expenses/Expenditures* On the accrual basis of accounting, 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.

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2003, investments were limited to STAROhio, (the State Treasurer's Investment Pool), Money Market, U.S. Treasury Notes, and FHLMC Mortgage Corp.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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, 2003.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$40,239, which includes \$33,564 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.



MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The School District does not have a prepaid expense balance at year end.

***G. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, 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.

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material, capital acquisition, and to create a reserve for budget stabilization. See Note 16 for additional information regarding set asides.

***I. Capital Assets***

General capital assets are those assets that result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land	N/A
Buildings and Improvements	20 - 50 Years
Improvements Other Than Buildings	20 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	8 Years

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net assets.

***K. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's amount of accumulated sick leave that will be paid as a termination benefit.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***N. Fund Balance Reserves***

The School District reserves those 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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, property taxes, budget and capital maintenance.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***P. Interfund Activity***

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

***R. Estimates***

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

***S. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. For all funds, the legal level of control was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

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

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 School District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring 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. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

***Appropriations*** A temporary appropriations 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 legal level of control 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 total of expenditures and encumbrances may not exceed appropriations at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND  
BALANCES/NET ASSETS**

**Changes in Accounting Principles** For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District’s programs for governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications and the School District’s enterprise funds reported in prior years are now reported in governmental activity non-major funds, there are no business type activities reported.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences, reported as “compensated absences”, which had not matured during fiscal year 2002 and has reported prepaid amounts for services not yet consumed.

**Restatement of Fund Balance** It was determined that enterprise funds should be reclassified to special revenue funds and prepaids will now be reported at the fund financial statement level. The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Debt Service	Classroom Facilities	Aggregate Nonmajor	Total
Fund Balances, June 30, 2002	\$ (1,122,422)	\$ 168,455	\$ 27,916,427	\$ 145,386	\$ 27,107,846
GASB 34 Adjustments:					
Capital Assets					2,950,723
Compensated Absences					(1,331,353)
Internal Service Fund					36,611
Pension Obligations					(109,571)
Long-Term (Deferred) Assets					118,455
Long-Term Liabilities					(28,240,189)
Governmental Activities Net Assets, June 30, 2002					\$ 532,522

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

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**NOTE 4: FUND DEFICITS**

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 1,373,527
Non-Major Funds:	
Food Service	82,205
Management Information	95
Summer Intervention	1,850
Title I	38,886
Title V	1,242
Misc. Grants	<u>22,444</u>
	<u><u>\$ 1,520,249</u></u>

The deficits in those funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**NOTE 5: BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 5: BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ (249,070)
Net Adjustment for Revenue Accruals	(130,057)
Advances In	190,591
Advances Out	(87,643)
Net Adjustment for Expenditure Accruals	50,624
Adjustment for Encumbrances	<u>(49,596)</u>
Budget Basis	<u>\$ (275,151)</u>

**NOTE 6: DEPOSITS AND INVESTMENTS**

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

Active deposits 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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.

Protection of the School 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 School 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.



**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and 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 Treasury Asset Reserve of Ohio (STAROhio).
- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the School 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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

***Deposits***

At year-end, the carrying amount of the School District's deposits was \$6,460,565, and the bank balance was \$519,919. Of the bank balance, \$200,000 was covered by federal depository insurance. \$319,919 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 Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the School District to categorize investments to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the School District's name. The State Treasurer's Investment Pool does not require categorization under Governmental Accounting Standards Board Statement No. 3 since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Value	Fair Value
U.S. Treasury Notes	6,349,880	6,349,880	6,349,880
FHLMC Mortgage Corp.	725,348	725,348	725,348
STAROhio	0	74,260	74,260
Total	\$ 7,075,228	\$ 7,149,488	\$ 7,149,488

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash & Cash Equivalents	Investments
GASB Statement No. 9	\$ 6,534,825	\$ 7,075,228
Investments which are part of cash management pool:		
STAROhio	(74,260)	74,260
GASB Statement No. 3	\$ 6,460,565	\$ 7,149,488

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

**NOTE 7: RECEIVABLES**

Receivables at June 30, 2003 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 follow:

General Fund:		
TASC	\$	1,100
Other Governmental Funds:		
Title V		1,235
Title IIA		30,856
Title I		44,438
Title IID		1,536
National School Lunch		27,310
Retarded/Disabled Program		<u>7,537</u>
	\$	<u>113,922</u>

**NOTE 8: 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 2001 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 2002 was \$29.40 for Carroll, and \$45.80 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 \$20.01 for Carroll, and \$33.61 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 2002 was \$29.40 for Carroll, and \$45.80 for Columbiana and Stark Counties per \$1,000 of assessed value.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 8: PROPERTY TAXES (Continued)**

**STARK COUNTY**

Real Property – 2002 Valuation

Residential/Agricultural	\$	62,456,100
Commercial/Industrial		12,467,510
Public Utilities		2,690
Minerals		181,950

Tangible Personal Property – 2003 Valuation

General		15,207,687
Public Utilities		<u>3,408,790</u>

Total Valuation \$ 93,726,727

**CARROLL COUNTY**

Real Property – 2002 Valuation

Residential/Agricultural	\$	190,534,360
Commercial/Industrial		22,562,030
Minerals		13,180
Public Utilities		388,910

Tangible Personal Property – 2003 Valuation

General		10,139,180
Public Utilities		<u>30,208,420</u>

Total Valuation \$ 253,846,080

**COLUMBIANA COUNTY**

Real Property – 2002 Valuation

Residential/Agricultural	\$	32,357,700
Commercial/Industrial		1,106,920
Public Utilities		0
Minerals		291,150

Tangible Personal Property – 2003 Valuation

General		1,640,400
Public Utilities		<u>3,899,850</u>

Total Valuation \$ 39,296,020

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 8: PROPERTY TAXES (Continued)**

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, 2003. 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 \$421,079 is recognized as revenue.

**NOTE 9: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 6/30/02	Additions	Reductions	Balance 6/30/03
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 32,903	\$ 0	\$ 0	\$ 32,903
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	5,778,708	307,271	0	6,085,979
Furniture and Equipment	479,076	39,360	0	518,436
Vehicles	1,080,983	106,428	(67,776)	1,119,635
Construction In Progress	268,556	934,005	0	1,202,561
<b>Total Capital Assets, being depreciated</b>	<b>7,607,323</b>	<b>1,387,064</b>	<b>(67,776)</b>	<b>8,926,611</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(3,649,598)	(148,030)	0	(3,797,628)
Furniture and Equipment	(323,551)	(43,196)	0	(366,747)
Vehicles	(716,354)	(83,781)	67,776	(732,359)
<b>Total Accumulated Depreciation</b>	<b>(4,689,503)</b>	<b>(275,007)</b>	<b>67,776</b>	<b>(4,896,734)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>2,917,820</b>	<b>1,112,057</b>	<b>0</b>	<b>4,029,877</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 2,950,723</b>	<b>\$ 1,112,057</b>	<b>\$ 0</b>	<b>\$ 4,062,780</b>

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 9: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	161,998
Support Services:		
Pupils		499
Administration		1,600
Fiscal		1,029
Operation and Maintenance of Plant		5,529
Central		85,986
Operation of Non-Instructional Services		2,474
Extracurricular Activities		15,892
		<hr/>
Total Depreciation	\$	<u>275,007</u>

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 10: LONG-TERM OBLIGATIONS**

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

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2003</u>	<u>Due Within One Year</u>
<b>Bond Anticipation Notes:</b>					
2.94% interest rate, maturing August 2003	\$ 10,000,000	\$ 0	\$(10,000,000)	\$ 0	\$ 0
1.99% interest rate, maturing August 2003	4,025,000	0	(4,025,000)	0	0
<b>Total Bond Anticipation Notes</b>	<u>14,025,000</u>	<u>0</u>	<u>(14,025,000)</u>	<u>0</u>	<u>0</u>
<b>Energy Notes:</b>					
1992 - 6.1% interest rate, maturing November 2002	4,500	0	(4,500)	0	0
1994 - 6.10% interest rate, maturing January 2004	8,750	0	(5,000)	3,750	3,750
1997 - 6.00% interest rate, maturing August 2007	95,025	0	(18,100)	76,925	18,100
1999 - 5.25% interest rate, maturing June 2009	81,914	0	(9,992)	71,922	10,511
<b>Total Energy Notes</b>	<u>190,189</u>	<u>0</u>	<u>(37,592)</u>	<u>152,597</u>	<u>32,361</u>
<b>General Obligation Bonds:</b>					
2.0% interest rate, maturing December 2002	150,000	0	(150,000)	0	0
2.2% interest rate, maturing December 2003	175,000	0	0	175,000	175,000
2.7% interest rate, maturing December 2004	200,000	0	0	200,000	0
3.1% interest rate, maturing December 2005	225,000	0	0	225,000	0
3.35% interest rate, maturing December 2006	250,000	0	0	250,000	0
3.6% interest rate, maturing December 2007	275,000	0	0	275,000	0
3.85% interest rate, maturing December 2008	300,000	0	0	300,000	0
4.05% interest rate, maturing December 2009	325,000	0	0	325,000	0
<b>Total General Obligation Bonds, carried forward</b>	<u>\$ 1,900,000</u>	<u>\$ 0</u>	<u>\$ (150,000)</u>	<u>\$ 1,750,000</u>	<u>\$ 175,000</u>

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 10: LONG-TERM OBLIGATIONS (Continued)**

	Balance <u>July 1, 2002</u>	Additions	Disposals	Balance <u>June 30, 2003</u>	Due Within <u>One Year</u>
Total General Obligation Bonds, brought forward	\$ 1,900,000	\$ 0	\$ (150,000)	\$ 1,750,000	\$ 175,000
General Obligation Bonds (con't):					
4.25% interest rate, maturing December 2010	350,000	0	0	350,000	0
4.65% interest rate, maturing December 2011	155,576	0	0	155,576	0
4.75% interest rate, maturing December 2012	139,424	0	0	139,424	0
5.15% interest rate, maturing December 2020	4,200,000	0	0	4,200,000	0
5.33% interest rate, maturing December 2029	<u>7,280,000</u>	<u>0</u>	<u>0</u>	<u>7,280,000</u>	<u>0</u>
Total General Obligation Bonds	<u>14,025,000</u>	<u>0</u>	<u>(150,000)</u>	<u>13,875,000</u>	<u>175,000</u>
Compensated Absences	<u>1,331,353</u>	<u>203,774</u>	<u>0</u>	<u>1,535,127</u>	<u>277,580</u>
Total long-term obligations governmental activities	<u>\$29,571,542</u>	<u>\$ 203,774</u>	<u>\$ (14,212,592)</u>	<u>\$ 15,562,724</u>	<u>\$ 484,941</u>

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

General obligation bonds were issued on June 7, 2002 in anticipation of paying off Classroom Facilities Bond Anticipation notes, which matured in August 2002.



**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 10: LONG-TERM OBLIGATIONS (Continued)**

The annual requirements to retire governmental activities bond and note debt are as follows:

Year Ending June 30,		General Obligation Bonds		Energy Notes		Total	
		Principal	Interest	Principal	Interest	Principal	Interest
2004		\$ 175,000	\$ 674,553	\$ 32,379	\$ 7,857	\$ 207,379	\$ 682,410
2005		200,000	668,928	29,196	6,078	229,196	675,006
2006		225,000	662,440	29,792	4,501	254,792	666,941
2007		250,000	654,765	30,421	2,686	280,421	657,451
2008		275,000	645,628	17,509	1,137	292,509	646,765
2009-2013		1,270,000	3,068,156	13,300	371	1,283,300	3,068,527
2014-2018		2,430,000	2,706,406	0	0	2,430,000	2,706,406
2019-2023		3,110,000	1,998,119	0	0	3,110,000	1,998,119
2024-2028		4,020,000	1,063,445	0	0	4,020,000	1,063,445
2029-2030		1,920,000	103,085	0	0	1,920,000	103,085
	<b>Total</b>	<b>\$ 13,875,000</b>	<b>\$ 12,245,525</b>	<b>\$ 152,597</b>	<b>\$ 22,630</b>	<b>\$ 14,027,597</b>	<b>\$ 12,268,155</b>

**NOTE 11: NONCANCELLABLE OPERATING LEASES**

The School 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, 2003:

<u>Year Ending June 30</u>	<u>Amount</u>
2004	54,897
2005	29,080
2006	15,769
<b>Total</b>	<b>\$ 154,643</b>

Rental expense amounted to \$47,747 for the year ended June 30, 2003.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 12: DEFINED BENEFIT PENSION PLANS**

*A. State Teachers Retirement System*

The School 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2002, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2002. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For fiscal year ended June 30, 2003, plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 6%. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$1,096,764, \$1,022,352 and \$709,227, respectively; 88% has been contributed for fiscal year 2003, and 100% for fiscal years 2002 and 2001. \$132,454, representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

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**NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)**

***B. School Employees Retirement System***

Minerva Local School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 5.45% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$304,500, \$283,032, and \$266,166, respectively; 79% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001. \$63,447, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

***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, 2003, all but one members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**NOTE 13: POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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.

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equaled 1% of covered payroll to the Health Care Reserve Fund, an increase from 3.5% for fiscal year 2003. For the School District, this amount equaled \$78,340 for fiscal year 2003.

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

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 9.80% of covered payroll, an increase from 8.45% for fiscal year 2003. 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, prorated for partial service credit. For fiscal year 2003, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$214,454.

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

**NOTE 14: DEFERRED REVENUE**

Deferred revenue at June 30, 2003 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 5,785,721	\$ 6,134,242
Grants Receivable	0	77,975
Deferred Revenue	\$ 5,785,721	\$ 6,212,217

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 15: INTERFUND TRANSFERS**

***A. Interfund Transactions***

As of June 30, 2003, balance sheet receivables and payables that resulted from cash advances were as follows:

	Interfund Receivable	Interfund Payable	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 123,700	\$ 131,994	\$ 5,450	\$ 0
Other Governmental Funds:				
Food Service	0	101,308	0	0
Trust	0	1,000	0	0
Public School Support	464	0	0	0
Athletics	0	464	0	0
Title I	0	1,732	0	5,450
Drug Free Schools	0	1,242	0	0
Misc. Grant Fund	0	18,418	0	0
Internal Service	131,994	0	0	0
Totals	\$ 256,158	\$ 256,158	\$ 5,450	\$ 5,450

***B. Reconciliation of Interfund Transfers***

	Transfers In	Transfers Out
Governmental Fund Type:		
General	\$ 0	\$ (742)
Fiduciary Fund Type:		
Agency	742	0
Total	\$ 742	\$ (742)

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 16: STATUTORY RESERVES**

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

	Textbook Reserve	Capital Acquisition	BWC Refund	Totals
Set-aside balance as of June 30, 2002	\$ (33,907)	\$ 116,004	\$ 70,106	\$ 152,203
Current year set-aside requirement	287,634	287,634	0	575,268
Current year qualifying disbursements	(310,091)	(244,906)	0	(554,997)
<b>Total</b>	<b>\$ (56,364)</b>	<b>\$ 158,732</b>	<b>\$ 70,106</b>	<b>\$ 172,474</b>
Set-aside balance carried forward to FY 2003	\$ (56,364)	\$ 158,732	\$ 70,106	
Cash balance carried forward to FY 2003	\$ 0	\$ 158,732	\$ 70,106	

Effective April 10, 2002, 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, 2002 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 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.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refund	\$ 70,106
Amount restricted for capital acquisition	158,732
<b>Total Restricted Assets</b>	<b>\$ 228,838</b>

The School District's General Fund pooled cash is not sufficient to allocate the restricted cash above at year end. Therefore, the Statement of Net Assets and the Balance Sheet does not reflect restricted cash.

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 17: CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual commitments for construction of a new middle school and the renovation of the high school.

	Contractual Commitment	Expended	Balance June 30, 2002
Hammond Construction	\$ 706,626	\$ (127,188)	\$ 579,438
Lawrence Dykes, Goodenreger, Vandegrift & Clancy	758,445	(116,486)	641,959
All American Tracks Corp.	37,500	0	37,500
Murphy Trucking	60,552	0	60,552
Southway Fence	8,850	0	8,850
	<u>          </u>	<u>          </u>	<u>          </u>
Total at June 30, 2003	<u>\$ 1,571,973</u>	<u>\$ (243,674)</u>	<u>\$ 1,328,299</u>

In addition, the School District entered into the following contracts subsequent to June 30, 2003.

	Contractual Commitment	Expended	Balance June 30, 2003
CT Taylor Company	\$ 370,073	\$ 0	\$ 370,073
The Knoch Corp.	3,671,400	0	3,671,400
Feinman Mechanical, Inc.	1,620,000	0	1,620,000
GMR Builders, Inc.	1,083,806	0	1,083,806
Hilscher-Clarke Electric Company	1,115,283	0	1,115,283
Comfort Control Group	202,116	0	202,116
Cincinnati Flooring Company	61,970	0	61,970
Spectra Contract Flooring	131,000	0	131,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 8,255,648</u>	<u>\$ 0</u>	<u>\$ 8,255,648</u>

## MINERVA LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2003

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#### **NOTE 18: RISK MANAGEMENT**

##### ***A. General Insurance***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$5,000 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$25,584,300. The School 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 School 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 Board President and Superintendent are covered under surety bonds in the amount of \$25,000. The Treasurer is covered under a surety bond in the amount of \$50,000. In addition, the people collecting money are covered under bonds of \$2,000 each.

##### ***C. Workers' Compensation***

The District participates in the Stark County Schools Council of Government Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances are compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "Equity Pooling Fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.



MINERVA LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2003

**NOTE 18: RISK MANAGEMENT (Continued)**

***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 \$107,090 reported in the Internal Service Fund at June 30, 2003 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.

Changes in the fund's claims liability for the fiscal years 2003 and 2002 are as follows:

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2003	<u>\$ 291,644</u>	<u>\$ 1,343,917</u>	<u>\$ 1,528,471</u>	<u>\$ 107,090</u>
2002	<u>\$ 358,380</u>	<u>\$ 1,080,501</u>	<u>\$ 1,147,237</u>	<u>\$ 291,644</u>

The School District terminated their Self-Insurance plan effective June 30, 2003. Effective July 1, 2003 the School District contracted with Stark County Schools Insurance Consortium (SCSIC) to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SCSIC is a shared risk pool comprised of fourteen school districts that provide public education within Stark County. The School Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating School Districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant and an aggregate stop-loss provision of \$46,122,823.

Premium contributions are determined annually based on the claims experience of the individual district. Premiums can be increased by up to 20% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating School District's claims would be paid without regard to their individual account balances. The SCSIC Board of Directors has authority to return monies to an exiting School District subsequent to the settlement of all claims and expenses.

## MINERVA LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2003

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#### **NOTE 19: 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 School 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 20: 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 \$28,469 to SPARCC during the fiscal year 2003. 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.

##### ***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 on e 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 21: CONTINGENCIES**

##### ***A. Grants***

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

**MINERVA LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2003**

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**NOTE 21: CONTINGENCIES (Continued)**

***B. Litigation***

The School District is party to the following legal proceedings. On March 20, 2001, a student athlete was struck in the hand by a shot put at track practice. Her left hand was injured and resulted in the amputation of her left small finger. Our liability insurance carrier, at the time of the accident was Nationwide Mutual Insurance Co., and is representing the School District in this lawsuit. The School District management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**NOTE 22: STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed ". . . the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient . . ." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 4, 2004

To the Board of Education  
Minerva Local School District  
Massillon, 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 accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Minerva Local School District, Stark County, Ohio (the "School District") as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 4, 2004 which included an explanatory paragraph regarding the accounting change to GASB 34. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 4, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. 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. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the School District in a separate letter dated March 4, 2004.

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.*

# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

March 4, 2004

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 "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal program is 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 program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School 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, 2003.

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  
March 4, 2004  
Page 2

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Minerva Local School District, Stark County, Ohio as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2004 which included an explanatory paragraph regarding the accounting change to GASB 34. Our audit was performed for the purpose of forming opinions on the basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic 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 EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003

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 C1-S1 2002 C1-S1 2003	\$ 4,309 62,801 230,270		\$ 0 27,688 231,637	
Total Title 1, Part A, ESEA			<u>297,380</u>		<u>259,325</u>	
Special Education Grants to States	84.027	6B-SF 2002 6B-SF 2003	54,681 242,542		60,375 242,542	
Total Special Education Grants to States			<u>297,223</u>		<u>302,917</u>	
Eisenhower Professional Development Grant	84.281	MS-S1 2002	0		8,847	
Innovative Education Program Strategies	84.298	C2-S1 2003	11,179		12,421	
Technology Literacy Challenge Fund	84.318	TJ-S1 2003	5,816		7,081	
Title VI R Class Reduction	84.340	CR-S1 2002	14,564		10,246	
School Renovation Grants	84.352A	AT-S4-2002	4,170		0	
Improving Teacher Quality	84.367	TR-S1 2003	70,358		87,512	
Safe, Drug-Free Schools & Communities Act Grant	84.186	DR-S1 2002 DR-S1 2003	846 11,444		846 11,444	
Total Safe, Drug-Free Schools & Communities Act Grant			<u>12,290</u>		<u>12,290</u>	
Comprehensive School Reform Grant	84.332	RF-S1 2000 RF-S1 2001 RF-S2 2001	0 0 8,500		658 14,169 8,500	
			<u>8,500</u>		<u>23,327</u>	
Total U. S. Department of Education			<u>721,480</u>		<u>723,966</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program (CAFS)	93.778	FY 2003	<u>20,981</u>		<u>20,981</u>	
Total U.S. Department of Health and Human Services			<u>20,981</u>		<u>20,981</u>	
U. S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	10.550	FY03		\$ 46,280		\$ 48,504
National School Breakfast Program	10.553		1,460		1,460	
Child and Adult Care Food Program	10.558		216		216	
National School Lunch Program	10.555	LL-P4 2002 LL-P4 2003	45,653 141,198		45,653 141,198	
Total National School Lunch Program			<u>186,851</u>		<u>186,851</u>	
Total US Department of Agriculture - Nutrition Cluster			<u>188,527</u>	<u>46,280</u>	<u>188,527</u>	<u>48,504</u>
Total Federal Financial Assistance			<u>\$ 930,988</u>	<u>\$ 46,280</u>	<u>\$ 933,474</u>	<u>\$ 48,504</u>

MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2003

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, 2003, 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, 2003

**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)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any 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, Part A, ESEA, Special Education-Grants to States, Title VI-B	CFDA # 84.010, CFDA #84.027
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

MINERVA LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
JUNE 30, 2003

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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NONE.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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NONE.

<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 2001-2 2002-1	<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. A management letter comment has been issued to address this issue.



**Auditor of State  
Betty Montgomery**

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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  
MAY 18, 2004**