

Minerva Local School District
Stark County, Ohio

Audited Financial Statements

June 30, 2009



Mary Taylor, CPA
Auditor of State

Board of Education
Minerva Local School District
312 East Lincolnway
Minerva, Ohio 44657

We have reviewed the *Independent Auditor's Report* of the Minerva Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 15, 2009

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**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

JUNE 30, 2009

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**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

JUNE 30, 2009

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

November 18, 2009

To the Board of Education
Minerva Local School District
Minerva, OH 44615

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 (the "School District"), as of and for the year ended June 30, 2009, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated November 18, 2009 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Minerva Local School District
Independent Auditor's Report
November 18, 2009

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

Rea & Associates, Inc.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The discussion and analysis of the Minerva Local School District's financial (the "School District") performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review 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 2009 are as follows:

- General revenues accounted for \$15,847,113 in revenue or 79.52 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,081,364 or 20.48 percent of total revenues of \$19,928,477.
- Total program expenses were \$20,740,696.
- In total, net assets decreased \$812,219, primarily due to increases in program expenses and a decrease in property tax revenue.
- Outstanding bond and note debt decreased from \$12,979,317 to \$12,696,147 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, bond retirement fund and the classroom facilities fund 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 2009?" 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.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2009

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 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 , bond retirement 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, bond retirement fund and classroom facilities fund, 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 (Continued)
For the Fiscal Year Ended June 30, 2009

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 cannot 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 19.

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 2009 compared to 2008:

(Table 1)
Net Assets

	Governmental Activities	
	2009	2008
Assets		
Current and Other Assets	\$ 11,202,966	\$ 27,773,349
Capital Assets	38,600,995	25,185,494
Total Assets	49,803,961	52,958,843
Liabilities		
Long-Term Liabilities	14,149,526	14,249,120
Other Liabilities	8,445,443	10,688,512
Total Liabilities	22,594,969	24,937,632
Net Assets		
Invested in Capital		
Assets Net of Debt	26,350,999	12,542,846
Restricted	4,089,857	18,746,541
Unrestricted (Deficit)	(3,231,864)	(3,268,176)
Total Net Assets	\$ 27,208,992	\$ 28,021,211

All significant changes above were related to the Ohio School Facilities construction projects nearing completion. Current assets decreased by \$16,570,383 which was the result of bond proceeds being spent on construction projects. Additionally, at June 30, 2009, the remaining grant receivable for the OSFC projects was minimal. Capital assets increased by \$13,415,501 as construction projects were completed and placed in service. Total liabilities decreased by \$2,342,663, which was primarily due to the decrease in contracts payable related to construction projects.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2009

Table 2 shows the changes in net assets for fiscal year 2009. This table presents 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 Activities

	Governmental Activities	Governmental Activities
	2009	2008
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,388,909	\$ 1,371,044
Operating Grants	2,500,753	2,353,266
Capital Grants	191,702	114,572
<i>General Revenue:</i>		
Property Taxes	5,988,921	6,599,020
Grants and Entitlements	9,791,061	9,348,016
Other	67,131	423,162
<i>Total Revenues</i>	19,928,477	20,209,080
Program Expenses		
Instruction	11,991,209	11,225,046
Support Services	6,531,499	6,278,750
Operation of Non-Instructional	974,105	897,642
Extracurricular Activities	569,841	578,628
Intergovernmental	40,044	12,071
Interest and Fiscal Charges	633,998	631,925
<i>Total Expenses</i>	20,740,696	19,624,062
Increase (Decrease) in Net Assets	\$ (812,219)	\$ 585,018

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. General revenues, including tax revenue, investment earnings, and unrestricted state entitlements, support the net cost of program services.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2009

(Table 3)
Governmental Activities

	Total Cost of Service 2009	Total Cost of Service 2008	Net Cost of Service 2009	Net Cost of Service 2008
Instruction	\$ 11,991,209	\$ 11,225,046	\$ (9,310,493)	\$ (8,730,711)
Support Services:				
Pupils and Instructional Staff	1,858,969	1,844,701	(1,657,277)	(1,783,441)
Board of Education, Administration, Fiscal and Business	2,271,309	2,160,530	(2,265,406)	(2,148,229)
Operation and Maintenance of Plant	1,255,891	1,121,644	(1,173,338)	(1,045,725)
Pupil Transportation	1,082,787	1,030,809	(1,037,576)	(936,237)
Central	62,543	121,066	(62,543)	(121,066)
Operation of Non-Instructional Extracurricular Activities	974,105	897,642	(155,753)	(59,353)
Intergovernmental	569,841	578,628	(322,904)	(316,422)
Interest and Fiscal Charges	40,044	12,071	(40,044)	(12,071)
	633,998	631,925	(633,998)	(631,925)
Total Expenses	<u>\$ 20,740,696</u>	<u>\$ 19,624,062</u>	<u>\$ (16,659,332)</u>	<u>\$ (15,785,180)</u>

Instruction and student support services comprise 66.8 percent of governmental program expenses. Interest and fiscal charges were 3.1 percent. Interest expense was attributable to the outstanding bonds and note payments. Pupil transportation and the operation and maintenance of facilities accounts for 11.3 percent 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.

The School District's Funds

Information about the School District's governmental funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$26,462,931 and expenditures of \$33,916,898. The net change in fund balance for the fiscal year was a decrease of \$7,453,967. The major decrease is in the classroom facilities fund due to a large amount of capital expenditures during the fiscal year.

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 2009, 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

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2009

For the general fund, budget basis revenue (exclusive of other financing sources) was \$16,621,213, lower than the original budget estimate of \$16,704,206. The \$82,993 decrease was attributable to a decrease in property taxes, most of which was offset by an increase in intergovernmental revenue.

Final appropriations of \$16,713,061 were \$233,331 higher than the \$16,479,730 in the original budget. Actual expenditures and revenues were in line with the final budget amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$38,600,995 invested in land, buildings and improvements, furniture, equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2009 balances compared with 2008.

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

	Governmental Activities	
	2009	2008
Land	\$ 127,797	\$ 127,797
Buildings and Improvements	23,911,170	12,306,619
Furniture and Equipment	505,136	307,545
Vehicles	193,005	258,483
Construction in Progress	13,863,887	12,185,050
Totals	\$ 38,600,995	\$ 25,185,494

The \$13,415,501 increase in capital assets was attributable to additional costs of construction in progress exceeding depreciation. See Note 8 for additional information on capital assets.

Senate Bill 345 requires school districts to set aside \$166.95 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and instructional materials and the other for capital improvements (see Note 13). For fiscal year 2009, this amounted to \$326,401 for each set aside. The School District's qualifying disbursements or offsets did not exceed these requirements plus prior year carryover for textbooks. The set aside amount for textbooks is \$63,134. The School District also had qualifying carryovers and offsets during the year that reduced the capital acquisition set-aside amount below zero. This amount may be used to reduce the set-aside requirements for future years.

Debt

At June 30, 2009, the School District had \$12,696,147 in bonds and notes outstanding with \$405,000 due within one year. Table 5 summarizes bonds and notes outstanding.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2009

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2009	Governmental Activities 2008
Energy Notes	\$ 0	\$ 13,664
Note Payable	0	3,988
General Obligation Bonds:		
Various Series Bonds	11,890,000	12,265,000
Various Capital Appreciation Bonds	359,991	359,991
Accretion on Capital Appreciation Bonds	446,156	336,674
Total General Obligation Bonds	12,696,147	12,961,665
Totals	\$ 12,696,147	\$ 12,979,317

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

In fiscal year 2007 the School District borrowed \$18,336 for the purchase of a 2007 Ford Van.

On June 1, 2002, the School District issued \$14,024,998 in general obligation bonds which included serial and capital appreciation (deep discount) bonds. The general obligation bonds were issued for the purpose of constructing and renovating various school buildings.

On June 28, 2006 the School District issued \$19,264,993 in voted general obligation bonds, which include serial, term and capital appreciation (deep discount) bonds. The bonds advance refunded \$9,265,000 of outstanding 2002 School Improvement General Obligation Bonds.

See Note 9 for additional information on debt.

Current Issues

The Ohio School Facilities Commission (OSFC) was created in 1997 as an independent agency to direct and oversee the construction of school facilities throughout the State of Ohio. The School District applied to and received permission from the OSFC in January 2001 to participate in the Expedited Local Partnership Program prior to the School District becoming eligible to participate in the OSFC Classroom Facilities Assistance Program (CFAP). On July 13, 2005, the School District was notified that it had been scheduled to participate in the CFAP Program. On July 18, 2005, the Minerva Local Board of Education adopted a resolution authorizing participation in the CFAP Program.

The School District will receive \$28,597,499 in state funds to be used to build a new elementary school and to perform additions and renovations to the high school. Construction on these buildings began during the summer of 2006. The renovation of the High School was completed in May, 2009 with the Elementary School, playground and parking lot anticipated to be completed by November, 2009.

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 School District.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2009

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 31 percent of revenues for governmental activities for the Minerva Local School District in fiscal year 2009.

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 bus fuel costs, increased special education services required for our students, and significant increases in health insurance costs.

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 was available to low wealth districts that meet certain conditions. In FY2010, the new funding model will be implemented as outlined in House Bill 1. The parity aid will no longer be in existence.

The Minerva Local School District is anticipating only very limited growth in state revenue as the result of more students entering than leaving the district under open enrollment policies. 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.

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

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 Jason Schatzel, Treasurer of Minerva Local School District, 312 E. Lincolnway, Minerva, Ohio 44657 or schatzj@minerva.sparcc.org.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,347,484
Cash In Segregated Accounts	344,660
Receivables:	
Taxes	5,977,253
Accounts	7,743
Intergovernmental	306,455
Prepaid Items	10,909
Inventory Held for Resale	0
Materials and Supplies Inventory	43,838
Deferred Charges	164,624
Nondepreciable Capital Assets	13,991,684
Depreciable Capital Assets (Net)	<u>24,609,311</u>
<i>Total Assets</i>	<u>49,803,961</u>
Liabilities	
Accounts Payable	124,735
Contracts Payable	276,156
Retainage Payable	344,660
Accrued Wages and Benefits	1,639,971
Accrued Interest Payable	43,907
Intergovernmental Payable	810,469
Matured Compensated Absences Payable	18,940
Deferred Revenue	5,179,105
Early Retirement Incentive Payable	7,500
Long-Term Liabilities:	
Due Within One Year	555,134
Due In More Than One Year	<u>13,594,392</u>
<i>Total Liabilities</i>	<u>22,594,969</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	26,350,999
Restricted for:	
Capital Projects	3,272,271
Debt Service	592,964
Other Purposes	161,488
Set Asides	63,134
Unrestricted	<u>(3,231,864)</u>
<i>Total Net Assets</i>	<u>\$ 27,208,992</u>

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

MINERVA LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses				Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 9,531,871	\$ 790,498	\$ 151,983	\$ 0	\$ (8,589,390)
Special	2,446,556	24,104	1,705,425	0	(717,027)
Vocational	8,502	0	8,706	0	204
Adult/Continuing	4,280	0	0	0	(4,280)
Support Services:					
Pupils	990,636	0	19,646	157,885	(813,105)
Instructional Staff	868,333	0	24,161	0	(844,172)
Board of Education	73,669	0	0	0	(73,669)
Administration	1,576,651	0	5,903	0	(1,570,748)
Fiscal	519,003	0	0	0	(519,003)
Business	101,986	0	0	0	(101,986)
Operation and Maintenance of Plant	1,255,891	24,975	57,578	0	(1,173,338)
Pupil Transportation	1,082,787	11,394	0	33,817	(1,037,576)
Central	62,543	0	0	0	(62,543)
Operation of Non-Instructional Services:					
Food Service	922,677	297,773	491,875	0	(133,029)
Community Services	51,428	0	28,704	0	(22,724)
Extracurricular Activities	569,841	240,165	6,772	0	(322,904)
Intergovernmental	40,044	0	0	0	(40,044)
Interest and Fiscal Charges	633,998	0	0	0	(633,998)
<i>Total Governmental Activities</i>	<u>\$ 20,740,696</u>	<u>\$ 1,388,909</u>	<u>\$ 2,500,753</u>	<u>\$ 191,702</u>	<u>(16,659,332)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					5,104,401
Debt Service					801,911
Capital Projects					82,609
Grants and Entitlements not Restricted to Specific Programs					9,791,061
Investment Earnings					9,718
Miscellaneous					35,015
Gain on Sale of Capital Assets					22,398
<i>Total General Revenues</i>					<u>15,847,113</u>
<i>Change in Net Assets</i>					(812,219)
<i>Net Assets Beginning of Year</i>					<u>28,021,211</u>
<i>Net Assets End of Year</i>					<u>\$ 27,208,992</u>

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

MINERVA LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2009*

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 529,355	\$ 3,446,342	\$ 308,653	\$ 4,284,350
Cash in Segregated Accounts	0	0	344,660	0	344,660
Restricted Cash and Cash Equivalents	63,134	0	0	0	63,134
Receivables:					
Taxes	5,142,650	756,339	0	78,264	5,977,253
Accounts	7,337	0	0	406	7,743
Interfund	71,042	0	0	350	71,392
Intergovernmental	0	0	102,085	204,370	306,455
Prepaid Items	10,909	0	0	0	10,909
Materials and Supplies Inventory	43,838	0	0	0	43,838
<i>Total Assets</i>	<u>\$ 5,338,910</u>	<u>\$ 1,285,694</u>	<u>\$ 3,893,087</u>	<u>\$ 592,043</u>	<u>\$ 11,109,734</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 73,369	\$ 0	\$ 0	\$ 51,366	\$ 124,735
Contracts Payable	0	0	276,156	0	276,156
Retainage Payable	0	0	344,660	0	344,660
Accrued Wages and Benefits	1,521,665	0	0	118,306	1,639,971
Interfund Payable	0	0	0	71,392	71,392
Intergovernmental Payable	752,487	0	0	57,982	810,469
Matured Compensated Absences Payable	18,940	0	0	0	18,940
Deferred Revenue	4,785,702	700,162	29,739	143,450	5,659,053
Early Retirement Incentive Payable	7,500	0	0	0	7,500
<i>Total Liabilities</i>	7,159,663	700,162	650,555	442,496	8,952,876
Fund Balances					
Reserved for Encumbrances	0	0	1,821,477	11,687	1,833,164
Reserved for Prepays	10,909	0	0	0	10,909
Reserved for Property Taxes	356,948	56,177	0	5,770	418,895
Reserved for Textbooks and Instructional Materials	63,134	0	0	0	63,134
Unreserved, Undesignated Reported in:					
General Fund	(2,251,744)	0	0	0	(2,251,744)
Special Revenue Funds	0	0	0	132,090	132,090
Debt Service Fund	0	529,355	0	0	529,355
Capital Projects Funds	0	0	1,421,055	0	1,421,055
<i>Total Fund Balances</i>	<u>(1,820,753)</u>	<u>585,532</u>	<u>3,242,532</u>	<u>149,547</u>	<u>2,156,858</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,338,910</u>	<u>\$ 1,285,694</u>	<u>\$ 3,893,087</u>	<u>\$ 592,043</u>	<u>\$ 11,109,734</u>

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

MINERVA LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009*

Total Governmental Fund Balances	\$	2,156,858
 <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.		38,600,995
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 402,472	
Delinquent Property Taxes	77,476	479,948
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the bonds on a full accrual basis.		
Issuance Costs - Deferred Charges	188,141	
Accumulated Amortization	(23,517)	164,624
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(43,907)
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	(11,890,000)	
Capital Appreciation Bonds	(359,991)	
Unamortized Bond Premium	(639,860)	
Bond Accretion	(446,156)	
Bond Refunding Loss	475,232	
Compensated Absences	(1,288,751)	(14,149,526)
 <i>Net Assets of Governmental Activities</i>		 \$ 27,208,992

The accompanying notes are an integral part of the 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, 2009

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 5,039,672	\$ 790,305	\$ 0	\$ 81,468	\$ 5,911,445
Intergovernmental	10,477,474	191,062	6,664,011	1,570,110	18,902,657
Investment Income	9,718	0	157,884	0	167,602
Tuition and Fees	815,377	0	0	10,619	825,996
Extracurricular Activities	0	0	0	240,164	240,164
Gifts and Donations	74	0	0	34,831	34,905
Rentals	24,975	0	0	0	24,975
Charges for Services	0	0	0	297,774	297,774
Miscellaneous	31,874	0	3,041	100	35,015
Total Revenues	16,399,164	981,367	6,824,936	2,235,066	26,440,533
Expenditures					
Current:					
Instruction:					
Regular	8,160,996	0	0	193,890	8,354,886
Special	1,738,303	0	0	693,612	2,431,915
Vocational	8,502	0	0	0	8,502
Adult/Continuing	4,280	0	0	0	4,280
Support Services:					
Pupils	951,993	0	369,647	27,771	1,349,411
Instructional Staff	824,407	0	0	37,067	861,474
Board of Education	73,669	0	0	0	73,669
Administration	1,535,010	0	0	26,187	1,561,197
Fiscal	472,703	18,613	115	3,222	494,653
Business	101,986	0	0	0	101,986
Operation and Maintenance of Plant	1,206,476	0	0	23,126	1,229,602
Pupil Transportation	963,674	0	0	5,063	968,737
Central	62,543	0	0	0	62,543
Operation of Non-Instructional Services:					
Food Services	0	0	0	907,880	907,880
Community Services	5,006	0	0	46,422	51,428
Extracurricular Activities	330,489	0	0	181,605	512,094
Intergovernmental	40,044	0	0	0	40,044
Capital Outlay	2,575	0	13,973,537	7,880	13,983,992
Debt Service:					
Principal Retirement	3,988	388,664	0	0	392,652
Interest and Fiscal Charges	66	525,887	0	0	525,953
Total Expenditures	16,486,710	933,164	14,343,299	2,153,725	33,916,898
Excess of Revenues Over/(Under) Expenditures	(87,546)	48,203	(7,518,363)	81,341	(7,476,365)
Other Financing Sources (Uses)					
Proceeds from Sales of Capital Assets	22,398	0	0	0	22,398
Net Change in Fund Balance	(65,148)	48,203	(7,518,363)	81,341	(7,453,967)
Fund Balance (Deficit) Beginning of Year	(1,755,605)	537,329	10,760,895	68,206	9,610,825
Fund Balance (Deficit) End of Year	\$ (1,820,753)	\$ 585,532	\$ 3,242,532	\$ 149,547	\$ 2,156,858

The accompanying notes are an integral part of the 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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (7,453,967)

Amounts reported for governmental activities in the statement of activities are different because:

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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$ 14,224,051	
Current Year Depreciation	<u>(808,550)</u>	13,415,501

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Grants	(6,944,420)	
Delinquent Property Taxes	<u>77,476</u>	(6,866,944)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Energy Conservation Note	13,664	
Note Payable	3,988	
General Obligation Bonds	<u>375,000</u>	392,652

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The governmental funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Accrued Interest	1,436	
Accretion on Capital Appreciation Bonds	(109,482)	
Refunding Loss Amortization	(22,630)	
Bond Premium Amortization	<u>30,470</u>	(100,206)

In statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.

(7,839)

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.

Compensated Absences		<u>(191,416)</u>
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Change in Net Assets of Governmental Activities

\$ (812,219)

The accompanying notes are an integral part of the 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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 5,850,741	\$ 5,260,794	\$ 5,222,562	\$ (38,232)
Intergovernmental	10,009,921	10,477,474	10,477,474	0
Investment Income	9,284	9,718	9,718	0
Tuition and Fees	778,559	814,835	814,925	90
Rentals	27,705	28,999	28,999	0
Gifts and Donations	71	74	74	0
Miscellaneous	27,925	29,229	29,229	0
<i>Total Revenues</i>	<u>16,704,206</u>	<u>16,621,123</u>	<u>16,582,981</u>	<u>(38,142)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,277,112	8,394,305	8,394,305	0
Special	1,700,884	1,724,966	1,724,966	0
Vocational	8,326	8,444	8,444	0
Adult/Continuing	4,542	4,606	4,606	0
Support Services:				
Pupils	946,390	959,790	959,790	0
Instructional Staff	810,292	821,765	821,765	0
Board of Education	80,551	81,691	81,691	0
Administration	1,494,910	1,516,076	1,516,076	0
Fiscal	459,632	466,140	466,140	0
Business	98,408	99,801	99,801	0
Operation and Maintenance of Plant	1,183,265	1,200,018	1,200,018	0
Pupil Transportation	982,610	996,523	996,523	0
Central	56,833	57,638	57,638	0
Operation of Non-Instructional Services:				
Community Services	4,905	4,974	4,974	0
Extracurricular Activities	324,753	329,351	329,351	0
Intergovernmental	39,485	40,044	40,044	0
Capital Outlay	2,835	2,875	2,875	0
Debt Service:				
Principal Retirement	3,932	3,988	3,988	0
Interest and Fiscal Charges	65	66	66	0
<i>Total Expenditures</i>	<u>16,479,730</u>	<u>16,713,061</u>	<u>16,713,061</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	224,476	(91,938)	(130,080)	(38,142)
Other Financing Sources				
Proceeds from Sale of Assets	23,398	22,398	22,398	0
<i>Net Change in Fund Balance</i>	247,874	(69,540)	(107,682)	(38,142)
<i>Fund Balance Beginning of Year</i>	5,993	5,993	5,993	0
Prior Year Encumbrances Appropriated	12,811	12,811	12,811	0
<i>Fund Balance End of Year</i>	<u>\$ 266,678</u>	<u>\$ (50,736)</u>	<u>\$ (88,878)</u>	<u>\$ (38,142)</u>

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

MINERVA LOCAL SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 61,529
Liabilities	
Accounts Payable	\$ 14,167
Due to Students	47,362
<i>Total Liabilities</i>	<u>\$ 61,529</u>

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2008, was 2,124. The School District employs 150 certificated and 95 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 School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or 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 has no 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. The School District is also involved with the Stark County Schools Council of Governments Health Benefits Program and the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 16 and 17.

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 on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 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. 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 two categories of funds: governmental 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:

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Bond Retirement Debt Service The bond retirement 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 buildings within the School District.

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.

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 only fiduciary funds are agency funds 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. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total 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.

Agency funds do not report a measurement focus as they do not report operations.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

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 and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 7.) 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, 2009, but which were levied to finance fiscal year 2010 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 (Continued)
JUNE 30, 2009

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 expenditure a like amount reported as intergovernmental 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 2009, investments were limited to STAROhio, repurchase agreements, and certificates of deposit.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$9,718, with \$9,675 being 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of expendable supplies held for consumption.

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 materials. See Note 13 for additional information regarding set asides.

I. Deferred Charges

On the governmental fund statements, bond issuance costs are recorded as an expenditure when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from effective interest method.

J. Capital Assets

The School District's only capital assets are general capital assets. These assets generally 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 capitalized.

All reported capital assets except land and construction in progress 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

M. 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 and compensated absences 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 are recognized as a liability on the fund financial statements when due.

N. Bond Premiums

Bond premiums are recorded as another financing source on the governmental fund statements. On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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. At June 30, 2009, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes primarily include instructional activities, grants and extracurricular activities.

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

P. 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, prepaids, property taxes, and textbooks and instructional materials.

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

Q. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. 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 year 2009.

S. 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.

T. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the 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 in effect when the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the year.

U. Changes in Accounting Principles

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*," GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," and GASB Statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*."

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

NOTE 3: ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances at June 30, 2009 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 1,820,753
Non-Major Funds:	
Food Service	270,236
Uniform School Supplies	17
Idea Part B	17,911
Title V	937
Safe and Drug Free	485
Title II-A	7,855

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 transfers when cash is required, not when accruals occur.

B. Compliance

Appropriations exceeded estimated resources in three funds at June 30, 2009, contrary to Ohio Revised Code Section 5705.39. Additionally, six funds had negative cash balances at June 30, 2009, contrary to Ohio Revised Code Section 5705.10. Appropriations exceeded actual resources in these funds contrary to Ohio Revised Code Section 5705.36.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance 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 on the budgetary basis for the general fund 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).

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	
	General
GAAP Basis	\$ (65,148)
Net Adjustment for Revenue Accruals	183,817
Net Adjustment for Expenditure Accruals	(4,169)
Adjustment for Encumbrances	(222,182)
Budget Basis	\$ (107,682)

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies to 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests noted 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 Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2009, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,697,319. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2009, \$2,804,215 of the School District's bank balance of \$3,780,713 was exposed to custodial risk as discussed above, while \$976,498 was covered by Federal Deposit Insurance Corporation.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2009, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
STAROhio	\$ 77,846	\$ 77,846
Repurchase Agreements	978,508	978,508
Totals	\$ 1,056,354	\$ 1,056,354

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk The School District's investments in the federal agency securities that underlie the District's repurchase agreement were Aaa by Moody's Investor Services. Standard & Poor's has assigned STAROhio an AAA rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage total of each investment type held by the School District as of June 30, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$ 77,846	7.37%
Repurchase Agreements	978,508	92.63%
Total Investments	\$ 1,056,354	100.00%

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 6: RECEIVABLES

Receivables at June 30, 2009 consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 7: PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 7: PROPERTY TAXES (Continued)

The School District receives property taxes from Carroll, Columbiana and Stark Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$356,948 in the general fund, \$56,177 in the bond retirement debt service fund and \$5,770 in the maintenance special revenue fund. The amount available as an advance at June 30, 2008, was \$539,838 in the general fund and \$83,163 in the bond retirement debt service fund and \$8,628 in the maintenance special revenue fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 156,426,960	76%	\$ 156,989,590	78%
Commercial/Industrial/ Public Utility/Minerals	30,092,600	15%	31,950,230	16%
Tangible Personal Property	18,159,115	9%	12,759,397	6%
Total Assessed Value	\$ 204,678,675	100%	\$ 201,699,217	100%
Tax Rate per \$1,000 of Assessed Value:				
Columbiana County	\$ 44.00		\$ 45.10	
Carroll County	\$ 44.60		\$ 44.40	
Stark County	\$ 44.60		\$ 44.90	

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 127,797	\$ 0	\$ 0	\$ 127,797
Construction in Progress	12,185,050	13,834,512	(12,155,675)	13,863,887
<i>Total Capital Assets, not being depreciated</i>	12,312,847	13,834,512	(12,155,675)	13,991,684
 <i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	18,175,165	12,155,675	0	30,330,840
Furniture and Equipment	3,990,955	389,539	(198,516)	4,181,978
Vehicles	1,320,604	0	0	1,320,604
<i>Total Capital Assets, being depreciated</i>	23,486,724	12,545,214	(198,516)	35,833,422
 <i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(5,868,546)	(551,124)	0	(6,419,670)
Furniture and Equipment	(3,683,410)	(191,948)	198,516	(3,676,842)
Vehicles	(1,062,121)	(65,478)	0	(1,127,599)
<i>Total Accumulated Depreciation</i>	(10,614,077)	(808,550) *	198,516	(11,224,111)
 <i>Total Capital Assets being depreciated, net</i>	12,872,647	11,736,664	0	24,609,311
 <i>Governmental Activities Capital Assets, Net</i>	\$ 25,185,494	\$ 25,571,176	\$ (12,155,675)	\$ 38,600,995

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 631,833
Support Services:	
Administration	6,541
Fiscal	6,412
Operation and Maintenance of Plant	3,800
Pupil Transportation	88,795
Operation of Non-Instructional Services:	
Food Service Operations	13,422
Extracurricular Activities	57,747
Total Depreciation Expense	\$ 808,550

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2009 were as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
<i>Energy Conservation Note:</i>					
1999 - 5.25% interest rate, maturing June 2009	\$ 13,664	\$ 0	\$ (13,664)	\$ 0	\$ 0
2006 Ford Van Note Payable - \$18,336, 5.45% interest rate, maturing November 2008	3,988	0	(3,988)	0	0
<i>General Obligation Bonds:</i>					
2002 Classroom Facilities Bonds:					
Series Bonds -					
\$13,730,000 - 3.35%-5.125%	3,190,000	0	(300,000)	2,890,000	325,000
Capital Appreciation Bonds - \$294,998 - 7.02%	294,998	0	0	294,998	0
Accretion on Capital Appreciation Bonds	278,791	66,481	0	345,272	0
2006 Classroom Facilities Bonds:					
Serial and Term Bonds -					
\$9,200,000 - 3.5%-4.35%	9,075,000	0	(75,000)	9,000,000	80,000
Capital Appreciation Bonds - \$64,993 - 4.15%-4.25%	64,993	0	0	64,993	0
Accretion on Capital Appreciation Bonds	57,883	43,001	0	100,884	0
Unamortized Premium	670,330	0	(30,470)	639,860	0
Refunding Loss	(497,862)	0	22,630	(475,232)	0
<i>Total General Obligation Bonds</i>	13,134,133	109,482	(382,840)	12,860,775	405,000
Compensated Absences	1,097,335	395,409	(203,993)	1,288,751	150,134
Total Governmental Activities Long-Term Obligations	<u>\$ 14,249,120</u>	<u>\$ 504,891</u>	<u>\$ (604,485)</u>	<u>\$ 14,149,526</u>	<u>\$ 555,134</u>

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

The energy conservation note was issued to provide energy improvements to various buildings. This note was paid off during the fiscal year ending June 30, 2009.

On November 10, 2006, Minerva Local School District borrowed \$18,336 from Consumers National Bank for the purchase of a 2006 Ford van. The loan for the Ford van was paid off during the fiscal year ending June 30, 2009.

2002 School Improvement Bonds

On June 1, 2002, Minerva Local School District issued \$14,024,998 in general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$13,730,000 and \$294,998, respectively. The general obligation bonds were issued for the purpose of constructing and renovating various school buildings within the School District.

The capital appreciation bonds mature December 1, 2011 through December 1, 2012. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$880,000. For fiscal year 2009, the accretion amount was \$66,481.

2006 School Improvement Advance Refunding General Obligation Bonds

On June 28, 2006, the School district issued \$9,264,993 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,915,000, \$3,285,000 and \$64,993, respectively. The bonds advance refunded \$9,265,000 of outstanding 2002 School Improvement General Obligation Bonds. The bonds were issued for a twenty-three year period with final maturity at December 1, 2029. At the date of refunding, \$9,808,122 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$9,265,000 of the 2002 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2009 was \$9,265,000. The advance refunding reduced cash flows required for debt service by \$753,599 over the next twenty-three years and resulted in an economic gain of \$485,065.

The bonds were issued with a premium of \$731,270, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2009 was \$30,470. The issuance costs of \$188,141 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2009 was \$7,839.

The \$9,264,993 bond issuance consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 3.50 to 4.20 percent. The term bonds that mature in fiscal year 2018 with an interest rate of 4.05 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2018, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 45,000
2019	45,000
2020	420,000

The term bonds due December 1, 2029 with an interest rate of 4.35 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2027 and on each December 1 thereafter at 100 percent of the principal amount thereof, plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2028	\$ 885,000
2029	925,000
2030	965,000

The term bonds maturing after December 1, 2016 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after June 1, 2016.

The capital appreciation bonds will mature December 1, 2014 through 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,255,000. The fiscal year 2009 accretion amount is \$43,001.

Outstanding general obligation bonds consist of school building construction issues. Such bonds are direct obligations of the School District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the School District.

The general obligation bonds will be paid from property tax revenues of the bond retirement debt service fund. Compensated absences will be paid from the general and food service fund.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009 are as follows:

Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 405,000	\$ 510,327	\$ 0	\$ 0	\$ 405,000	\$ 510,327
2011	435,000	493,235	0	0	435,000	493,235
2012	85,000	482,610	155,575	284,425	240,575	767,035
2013	90,000	479,283	139,423	300,578	229,423	779,861
2014	535,000	464,399	64,993	1,190,006	599,993	1,654,405
2015-2019	1,645,000	2,091,036	0	0	1,645,000	2,091,036
2020-2024	3,475,000	1,485,660	0	0	3,475,000	1,485,660
2025-2029	4,255,000	682,476	0	0	4,255,000	682,476
2030	965,000	20,988	0	0	965,000	20,988
Total	<u>\$ 11,890,000</u>	<u>\$ 6,710,014</u>	<u>\$ 359,991</u>	<u>\$ 1,775,009</u>	<u>\$ 12,249,991</u>	<u>\$ 8,485,023</u>

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$238,003, \$225,135 and \$237,104, respectively; 36 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,071,249, \$1,112,197 and \$1,130,369, respectively; 79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$10,540 made by the School District and \$22,011 made by the plan members.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, all but one member of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$108,921, \$102,736 and \$78,718, respectively; 36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$19,637, \$16,222 and \$15,649, respectively; 36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$82,404, \$85,554 and \$86,951, respectively; 79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 12: INTERFUND BALANCES

Interfund balances at June 30, 2009 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 71,042	\$ 0
Other Governmental Funds:		
Public School Support	350	0
Amazing Arts	0	82
Choir High School	0	268
Title VI-B	0	22,574
Title I	0	18,063
Title V	0	1,170
Drug Free Grant	0	6,755
Miscellaneous Grants	0	22,480
Totals	\$ 71,392	\$ 71,392

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 13: SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-Aside Reserve Balance as of June 30, 2008	\$ 102,430	\$ 0	\$ 102,430
Current Year Set-Aside Requirement	326,401	326,401	652,802
Current Year Offsets	0	(138,403)	(138,403)
Current Year Qualifying Disbursements	(365,697)	0	(365,697)
Balance Carried Forward from Prior Year	<u>0</u>	<u>(13,226,961)</u>	<u>(13,226,961)</u>
 Total	 <u>\$ 63,134</u>	 <u>\$ (13,038,963)</u>	 <u>\$ (12,975,829)</u>
 Set-Aside Balance Carried Forward to Future Fiscal Years	 <u>\$ 63,134</u>	 <u>\$ (13,038,963)</u>	
 Set-Aside Reserve Balance as of June 30, 2009	 <u>\$ 63,134</u>	 <u>\$ 0</u>	

The School District had qualifying prior year carryover and disbursements during the fiscal year that reduced the capital acquisition set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years up to the prior year carryover relating to debt.

The School District did not have enough qualifying disbursements to exceed the requirements for textbooks and other instructional materials and is required to establish a fund balance reserve of \$63,134. This amount should also be reported as restricted cash and cash equivalents in the general fund.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 14: CONTRACTUAL COMMITMENTS

As of June 30, 2009, the School District had contractual commitments for construction of a new elementary school and the renovation of the high school.

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance June 30, 2009</u>
Continental Furniture	\$ 471,864	\$ 0	\$ 471,864
Lawrence & Dykes	1,539,042	1,031,678	507,364
Osborn Engineering	81,072	32,428	48,644
Alex Roofing	702,430	684,127	18,303
Standard Plumbing	1,850,452	1,808,159	42,293
Wood Electric	1,042,519	989,694	52,825
Feinman Mechanical	581,921	554,767	27,154
Sound Comm Corp.	164,722	137,218	27,504
Jeff Carr Construction	4,896,651	4,634,599	262,052
Trimark SS Kemp	266,956	257,275	9,681
Axiom	32,755	10,301	22,454
GMR Builders	1,851,212	1,799,402	51,810
Fire Foe Corp.	190,666	181,117	9,549
Advanced Industrial	278,200	274,135	4,065
The Knoch Corp.	3,787,258	3,674,990	112,268
U.S. Communications	197,240	183,447	13,793
Microman	311,994	294,725	17,269
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 18,246,954</u>	<u>\$ 16,548,062</u>	<u>\$ 1,698,892</u>

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 15: 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 \$55,530,305. The School District's vehicle insurance policy limit is \$1,000,000 with a \$500 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 of this coverage are \$5,000,000 per occurrence and \$5,000,000 in aggregate. Claims 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 \$75,000. In addition, other school employees who are responsible for handling funds are covered under bonds of \$2,000 each.

C. Workers' Compensation

The School District participates in the Stark County Schools Council of Governments 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.

D. Employee Health Insurance

The School District participates in the Stark County Schools Council of Governments (the "Council") to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 15: RISK MANAGEMENT (Continued)

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one, and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2009, the School District's monthly premiums were \$1,035.08 for family coverage and \$426.09 for single coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2009, the School District's cost was \$133.47 for family coverage and \$54.10 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

The School District provided life insurance and accidental death and dismemberment insurance coverage of \$30,000 to all employees through the Stark County Schools Council of Governments Health Benefits Program.

NOTE 16: PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefits Program is a shared risk pool. The Council is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38th Street NW, Canton, OH 44709.

B. Insurance Purchasing 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 superintendents 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 is 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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE 17: 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 School District paid \$109,115 to SPARCC during the fiscal year 2009. 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 38th 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 one board member that rotates from each participating school district. The Stark County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Stark County Joint Vocational School, 6805 Richville Drive, S.W., Massillon, Ohio 44646.

NOTE 18: 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, 2009.

B. Litigation

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



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

November 18, 2009

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Local School District (the "School District") as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Minerva Local School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
November 18, 2009
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 18, 2009.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, as disclosed in the accompanying schedule of findings as items 2009-01, 2009-002 and 2009-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 18, 2009.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses, and we did not audit the School District's response, and accordingly, we express no opinion on it.

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

Hea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

November 18, 2009

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 its major federal program for the year ended June 30, 2009. 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 States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Hea & Associates, Inc.

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Year	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	2008	\$ 1,098		\$ 4,219	
		2009	319,272		337,335	
Total Title 1, Part A, ESEA			<u>320,370</u>		<u>341,554</u>	
Special Education Grants to States	84.027	2009	408,078		430,653	
Innovative Education Program Strategies	84.298	2009	3,294		3,592	
Technology Literacy Challenge Grant	84.318	2009	6,708		6,000	
Title II-A Improving Teacher Quality	84.367	2009	63,572		93,587	
Safe, Drug-Free Schools & Communities Act Grant	84.186	2009	<u>211</u>		<u>6,966</u>	
Total U. S. Department of Education			<u>802,233</u>		<u>882,352</u>	
U. S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Nutrition Cluster:						
National School Breakfast Program	10.553	2009	138,640		138,640	
National School Lunch Program	10.555	2009	299,627	\$ 42,376	299,627	\$ 42,376
Total Nutrition Cluster			<u>438,267</u>	<u>42,376</u>	<u>438,267</u>	<u>42,376</u>
Total US Department of Agriculture			<u>438,267</u>	<u>42,376</u>	<u>438,267</u>	<u>42,376</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Passed through Ohio MRDD)						
Medical Assistance Program (CAFS)	93.778	N/A	<u>24,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>24,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 1,265,186</u>	<u>\$ 42,376</u>	<u>\$ 1,320,619</u>	<u>\$ 42,376</u>

See accompanying notes to the schedule of expenditures of federal awards

MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

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

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is part of the Nutrition Cluster. It is reported in the schedule of expenditures of federal awards at the value of the commodities received as assessed by the U.S. Department of Agriculture. At June 30, 2009, the School District had no significant food commodities inventory.

Note C: CAFS MONIES

Community Alternative Funding System Medicaid revenues received during fiscal year 2009 were \$26,686. This related to settlements for CAFS services provided during prior years.

Note D: TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I Grants to Local Educational Agencies	2008	10,335	
84.010	Title I Grants to Local Educational Agencies	2009		10,335
84.298	Title V - State Grants for Innovative Programs	2008	1,976	
84.298	Title V - State Grants for Innovative Programs	2009		1,976
84.186	Title IV-A - Safe and Drug-Free Schools	2008	485	
84.186	Title IV-A - Safe and Drug-Free Schools	2009		485
84.318	Title II-D - Education Technology	2008	5,854	
84.318	Title II-D - Education Technology	2009		5,854
84.367	Title II-A Improving Teacher Quality	2008	668	
	Title II-A Improving Teacher Quality	2009		668

MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

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 internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies 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): Nutrition Cluster	CFDA # 10.553, 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

MATERIAL NON-COMPLIANCE

Finding	2009-001
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Ohio Revised Code Section 5705.36(A)(4) states that subdivisions shall obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

As of June 30, 2009, appropriations exceeded actual resources in the following funds:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund (001)	\$ 17,584,258	\$ 17,634,994	\$ (50,736)
Lunchroom (006)	666,028	833,308	(167,280)
IDEA Part B	408,078	430,653	(22,575)

MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2009

Finding (Continued)	2009-001
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We recommend the Treasurer and Board of Education monitor the funds to ensure appropriations do not exceed actual resources (beginning unencumbered fund balance plus actual receipts).

Finding	2009-002
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Ohio Revised Code Section 5705.39 states the total appropriations for each fund should not exceed the total estimated resources.

As of June 30, 2009, appropriations exceeded estimated resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
General Fund (001)	\$ 17,584,258	\$ 17,634,905	\$ (50,647)
Lunchroom (006)	666,010	833,308	(167,298)
IDEA Part B	408,078	430,653	(22,575)

We recommend the Treasurer and the Board of Education monitor the funds monthly to ensure appropriations do not exceed estimated resources.

Finding	2009-003
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Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which the fund was established. Negative fund cash balances indicate that money from one fund was used to cover the expenses from another fund.

As of June 30, 2009, the School District had deficit cash balances in the following funds:

Fund	Amount
Lunchroom (006)	\$167,280
IDEA Part B (516)	22,754
Title I (572)	18,063
Title V (573)	298
Drug Free Schools (584)	6,755
Miscellaneous Federal Grant (599)	29,307

Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2009

District's Response to Findings 2009-001, 2009-002, and 2009-003—The District has operated on a low General Fund cash balance for a number of years. While the District has not passed any new operating levies since 1993, operating costs have continued to rise. The Board has been aggressive at controlling costs without eliminating programs for students. The Board has eliminated nearly thirty positions over the past five years through attrition.

While the Board understands the importance of compliance with the Ohio Revised Code, the current financial status of the District makes it very difficult to comply with all of the budgetary requirements of the Revised Code. The Board will continue to seek ways to control costs to improve the financial condition of the District which will enable the District to comply with the budgetary requirements of the Revised Code.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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NONE	
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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

November 18, 2009

Minerva Local School District
312 E. Lincolnway
Minerva, OH 44657

To the Board of Education:

Ohio Rev. Code Section 187.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Minerva Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on July 13, 2003.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - a) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - c) A procedure for reporting prohibited incidents;

- d) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- e) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- f) A procedure for documenting any prohibited incident that is reported;
- g) A procedure for responding to and investigating any reported incident;
- h) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- j) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and management and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 31, 2009