



Dave Yost • Auditor of State

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	15
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	17
Statement of Fiduciary Net Assets Fiduciary Funds	18
Statement of Changes in Fiduciary Net Assets Fiduciary Funds	19
Notes to the Basic Financial Statements	20
Federal Awards Receipts and Expenditures Schedule.....	47
Notes to the Federal Awards Receipts and Expenditures Schedule.....	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53
Schedule of Prior Audit Findings.....	55

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Minerva Local School District, Stark County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the 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 February 25, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the 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. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 25, 2011

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The discussion and analysis of the Minerva Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- General revenues accounted for \$16,763,671 in revenue or 81.7 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$3,749,870 or 18.3 percent of total revenues of \$20,513,541.
- Total program expenses were \$21,196,282.
- In total, net assets decreased \$682,741, primarily due to increases in program expenses and a decrease in property tax revenue.
- Outstanding bond debt decreased from \$12,696,147 to \$12,423,377 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.

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 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, bond retirement, classroom facilities funds are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

A question typically asked about the School District's finances "How did we do financially during fiscal year 2010?" 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, 2010

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, 2010

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 20.

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 2010 compared to 2009:

(Table 1)
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$ 8,659,962	\$ 11,202,966
Capital Assets	39,631,950	38,600,995
Total Assets	48,291,912	49,803,961
Liabilities		
Long-Term Liabilities	13,816,374	14,149,526
Other Liabilities	7,949,287	8,445,443
Total Liabilities	21,765,661	22,594,969
Net Assets		
Invested in Capital Assets Net of Debt	27,736,577	26,350,999
Restricted	1,798,145	4,089,857
Unrestricted (Deficit)	(3,008,471)	(3,231,864)
Total Net Assets	\$ 26,526,251	\$ 27,208,992

All significant changes above were related to completion of the Ohio School Facilities construction projects. Current assets decreased by \$2,543,004 which was the result of bond proceeds being spent on construction projects. Capital assets increased by \$1,030,955 as construction projects were completed and placed in service. Total liabilities decreased by \$829,308, which was primarily due to the decrease in contracts and retainage payable related to construction projects.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010

Table 2 shows the changes in net assets for fiscal year 2010. 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
	2010	2009
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,456,328	\$ 1,388,909
Operating Grants	2,275,676	2,500,753
Capital Grants	17,866	191,702
<i>General Revenue:</i>		
Property Taxes	5,648,690	5,988,921
Grants and Entitlements	10,991,868	9,791,061
Other	123,113	67,131
<i>Total Revenues</i>	20,513,541	19,928,477
Program Expenses		
Instruction	12,428,035	11,991,209
Support Services	4,054,821	4,192,821
Operation and Maintenance of Plant	1,672,438	1,255,891
Operation of Non-Instructional	910,527	974,105
Pupil Transportation	837,291	1,082,787
Extracurricular Activities	644,921	569,841
Intergovernmental	4,449	40,044
Interest and Fiscal Charges	643,800	633,998
<i>Total Expenses</i>	21,196,282	20,740,696
Increase (Decrease) in Net Assets	\$ (682,741)	\$ (812,219)

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, 2010

(Table 3)
Governmental Activities

	Total Cost of Service 2010	Total Cost of Service 2009	Net Cost of Service 2010	Net Cost of Service 2009
Instruction	\$ 12,428,035	\$ 11,991,209	\$ (10,035,008)	\$ (9,310,493)
Support Services:				
Pupils and Instructional Staff	1,635,651	1,858,969	(1,580,984)	(1,657,277)
Board of Education, Administration, Fiscal, Business and Central	2,419,170	2,333,852	(2,414,170)	(2,327,949)
Operation and Maintenance of Plant	1,672,438	1,255,891	(1,594,585)	(1,173,338)
Pupil Transportation	837,291	1,082,787	(831,903)	(1,037,576)
Operation of Non-Instructional	910,527	974,105	(84,035)	(155,753)
Extracurricular Activities	644,921	569,841	(257,478)	(322,904)
Intergovernmental	4,449	40,044	(4,449)	(40,044)
Interest and Fiscal Charges	643,800	633,998	(643,800)	(633,998)
Total Expenses	<u>\$ 21,196,282</u>	<u>\$ 20,740,696</u>	<u>\$ (17,446,412)</u>	<u>\$ (16,659,332)</u>

Instruction and student support services comprise 77.8 percent of governmental program expenses. Pupil transportation and the operation and maintenance of plant account for 11.8 percent of governmental program expenses. Extracurricular and operation of non-instructional services are 7.3 percent of governmental program expenses. Intergovernmental and interest and fiscal charges make up the remaining 3.1 percent of program expenses. Interest expense was attributable to the outstanding bonds and note payments.

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 \$20,743,377 and expenditures and other financing uses of \$22,834,417. The net change in fund balance for the fiscal year was a decrease of \$2,091,040. The most significant decrease is in the classroom facilities fund and is due to a large amount of capital expenditures needed to complete the School District's construction projects in fiscal year 2010.

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 2010, 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, 2010

For the general fund, final budget basis revenue and other financing sources of \$16,075,616 was \$428,232, or 2.7 percent, higher than the original budget estimate of \$15,647,384. The majority of the 428,232 difference was attributable to an increase in the estimate of property tax revenue in the final budget. Actual revenue and other financing sources of \$15,865,671 were \$209,945 lower than the final budget basis estimate of \$16,075,616, again mainly in the area of property tax revenue.

Final appropriations and other financing uses of \$16,208,651 were \$440,000 higher than the 15,768,651 in the original budget. The majority of this difference can be seen in the area of regular instruction. Actual expenditures and other financing uses of \$16,218,972 were \$10,321 higher than the \$16,208,651 which was estimated in the final budget. This difference can be seen in the area of expenditures for student.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$39,631,950 invested in land, buildings and improvements, furniture, equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2010 balances compared with 2009.

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

	Governmental Activities	
	2010	2009
Land	\$ 127,797	\$ 127,797
Buildings and Improvements	38,054,666	23,911,170
Furniture and Equipment	1,065,574	505,136
Vehicles	348,401	193,005
Construction in Progress	35,512	13,863,887
Totals	\$ 39,631,950	\$ 38,600,995

The \$1,030,995 increase in capital assets was attributable to additional costs to complete construction projects which exceeded depreciation expense in the current year. See Note 8 for additional information on capital assets.

Senate Bill 345 requires school districts to set aside \$171.96 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 14). For fiscal year 2010, this amounted to \$330,743 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 \$148,492. 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, 2010, the School District had \$12,423,377 in bonds outstanding with \$435,000 due within one year. Table 5 summarizes bonds outstanding.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2010	Governmental Activities 2009
General Obligation Bonds:		
Various Series Bonds	\$ 11,485,000	\$ 11,890,000
Various Capital Appreciation Bonds	359,991	359,991
Accretion on Capital Appreciation Bonds	578,386	446,156
Totals	\$ 12,423,377	\$ 12,696,147

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 \$9,264,993 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 received \$28,553,538 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 and the Elementary School was completed in August, 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, 2010

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 27.6 percent of revenues for governmental activities for the Minerva Local School District in fiscal year 2010.

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." In fiscal year 2010, the legislature passed a new funding model called the "Evidence Based Model." This new model bases school funding on a number of factors which include District average daily membership, an educational challenge factor (accounts for a School District's wealth, college attainment, and concentration of poverty), numbers of buildings and organization units, and average wages for teachers, custodians, etc. This new model was unable to be fully funded by the state in the current biennium; therefore, many components of the funding model are being phased in over the next two to five years.

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. 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, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,985,094
Receivables:	
Taxes	6,193,388
Accounts	2,816
Intergovernmental	267,440
Prepaid Items	12,192
Materials and Supplies Inventory	42,247
Deferred Charges	156,785
Nondepreciable Capital Assets	163,309
Depreciable Capital Assets (Net)	<u>39,468,641</u>
 <i>Total Assets</i>	 <u>48,291,912</u>
 Liabilities	
Accounts Payable	60,704
Contracts Payable	39,471
Accrued Wages and Benefits	1,427,351
Accrued Interest Payable	44,652
Intergovernmental Payable	626,833
Matured Compensated Absences Payable	124,458
Deferred Revenue	5,625,818
Long-Term Liabilities:	
Due Within One Year	628,842
Due In More Than One Year	<u>13,187,532</u>
 <i>Total Liabilities</i>	 <u>21,765,661</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	27,736,577
Restricted for:	
Capital Projects	921,821
Debt Service	602,795
Other Purposes	125,037
Set Asides	148,492
Unrestricted	<u>(3,008,471)</u>
 <i>Total Net Assets</i>	 <u>\$ 26,526,251</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest		
Expenses				Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 9,647,221	\$ 794,930	\$ 117,529	\$ 0	\$ (8,734,762)
Special	2,768,616	93,074	1,378,723	0	(1,296,819)
Vocational	7,570	0	8,771	0	1,201
Adult/Continuing	4,628	0	0	0	(4,628)
Support Services:					
Pupils	724,136	0	8,949	7,866	(707,321)
Instructional Staff	911,515	0	37,852	0	(873,663)
Board of Education	91,743	0	0	0	(91,743)
Administration	1,679,818	0	5,000	0	(1,674,818)
Fiscal	517,910	0	0	0	(517,910)
Business	110,494	0	0	0	(110,494)
Operation and Maintenance of Plant	1,672,438	20,182	57,671	0	(1,594,585)
Pupil Transportation	837,291	5,388	0	0	(831,903)
Central	19,205	0	0	0	(19,205)
Operation of Non-Instructional Services:					
Food Service	868,465	254,461	540,722	0	(73,282)
Community Services	42,062	0	31,309	0	(10,753)
Extracurricular Activities	644,921	288,293	89,150	10,000	(257,478)
Intergovernmental	4,449	0	0	0	(4,449)
Interest and Fiscal Charges	643,800	0	0	0	(643,800)
<i>Total Governmental Activities</i>	<u>\$ 21,196,282</u>	<u>\$ 1,456,328</u>	<u>\$ 2,275,676</u>	<u>\$ 17,866</u>	<u>(17,446,412)</u>
 General Revenues					
Property Taxes Levied for:					
General Purposes					4,817,757
Debt Service					751,974
Classroom Facilities Maintenance					78,959
Grants and Entitlements not Restricted to Specific Programs					10,703,339
Grants and Entitlements Restricted for Ohio School Facilities Commission					288,529
Investment Earnings					466
Miscellaneous					46,501
Gain on Sale of Capital Assets					76,146
<i>Total General Revenues</i>					<u>16,763,671</u>
<i>Change in Net Assets</i>					(682,741)
<i>Net Assets Beginning of Year</i>					<u>27,208,992</u>
<i>Net Assets End of Year</i>					<u>\$ 26,526,251</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2010*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 567,426	\$ 826,862	\$ 590,806	\$ 1,985,094
Receivables:					
Taxes	5,259,943	847,300	0	86,145	6,193,388
Accounts	2,816	0	0	0	2,816
Interfund	205,272	0	0	111,297	316,569
Intergovernmental	106,432	0	0	161,008	267,440
Due From Other Funds	19,041	0	0	0	19,041
Prepaid Items	12,192	0	0	0	12,192
Materials and Supplies Inventory	42,247	0	0	0	42,247
<i>Total Assets</i>	<u>\$ 5,647,943</u>	<u>\$ 1,414,726</u>	<u>\$ 826,862</u>	<u>\$ 949,256</u>	<u>\$ 8,838,787</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 48,225	\$ 0	\$ 0	\$ 12,479	\$ 60,704
Contracts Payable	7,400	0	3,830	28,241	39,471
Accrued Wages and Benefits	1,234,071	0	0	193,280	1,427,351
Interfund Payable	110,947	0	0	205,622	316,569
Due To Other Funds	0	0	0	19,041	19,041
Intergovernmental Payable	553,468	0	0	73,365	626,833
Matured Compensated Absences Payable	111,353	0	0	13,105	124,458
Deferred Revenue	5,173,938	821,996	0	162,608	6,158,542
<i>Total Liabilities</i>	7,239,402	821,996	3,830	707,741	8,772,969
Fund Balances					
Reserved for Encumbrances	92,049	0	155,062	91,353	338,464
Reserved for Prepays	12,192	0	0	0	12,192
Reserved for Property Taxes	157,899	25,304	0	2,629	185,832
Reserved for Textbooks and Instructional Materials	148,492	0	0	0	148,492
Unreserved, Undesignated Reported in:					
General Fund	(2,002,091)	0	0	0	(2,002,091)
Special Revenue Funds	0	0	0	48,744	48,744
Debt Service Fund	0	567,426	0	0	567,426
Capital Projects Funds	0	0	667,970	98,789	766,759
<i>Total Fund Balances</i>	<u>(1,591,459)</u>	<u>592,730</u>	<u>823,032</u>	<u>241,515</u>	<u>65,818</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,647,943</u>	<u>\$ 1,414,726</u>	<u>\$ 826,862</u>	<u>\$ 949,256</u>	<u>\$ 8,838,787</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2010*

Total Governmental Fund Balances	\$	65,818
 <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.		39,631,950
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 150,986	
Delinquent Property Taxes	<u>381,738</u>	532,724
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	<u>(31,356)</u>	156,785
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(44,652)
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	(11,485,000)	
Capital Appreciation Bonds	(359,991)	
Unamortized Bond Premium	(609,390)	
Bond Accretion	(578,386)	
Bond Refunding Loss	452,602	
Capital Leases	(146,805)	
Compensated Absences	<u>(1,089,404)</u>	<u>(13,816,374)</u>
 <i>Net Assets of Governmental Activities</i>		 <u>\$ 26,526,251</u>

See accompanying notes to 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, 2010

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 4,815,993	\$ 751,391	\$ 0	\$ 78,821	\$ 5,646,205
Intergovernmental	9,913,938	190,186	318,268	2,712,269	13,134,661
Investment Income	466	0	7,866	1,604	9,936
Tuition and Fees	885,314	0	0	8,077	893,391
Extracurricular Activities	19,041	0	0	269,252	288,293
Gifts and Donations	2,690	0	10,000	99,362	112,052
Rentals	20,182	0	0	0	20,182
Charges for Services	0	0	0	254,461	254,461
Miscellaneous	45,266	0	1,002	233	46,501
<i>Total Revenues</i>	<u>15,702,890</u>	<u>941,577</u>	<u>337,136</u>	<u>3,424,079</u>	<u>20,405,682</u>
Expenditures					
Current:					
Instruction:					
Regular	8,076,049	0	0	147,829	8,223,878
Special	1,433,724	0	0	1,316,432	2,750,156
Vocational	6,398	0	0	0	6,398
Adult/Continuing	4,628	0	0	0	4,628
Support Services:					
Pupils	703,742	0	21,441	34,688	759,871
Instructional Staff	841,983	0	0	64,484	906,467
Board of Education	91,743	0	0	0	91,743
Administration	1,145,682	0	0	591,293	1,736,975
Fiscal	503,409	19,051	0	31,258	553,718
Business	109,231	0	0	0	109,231
Operation and Maintenance of Plant	1,224,332	0	0	29,112	1,253,444
Pupil Transportation	912,551	0	0	6,117	918,668
Central	19,205	0	0	0	19,205
Operation of Non-Instructional Services:					
Food Services	0	0	0	801,936	801,936
Community Services	1,494	0	0	40,568	42,062
Extracurricular Activities	316,551	0	0	237,689	554,240
Intergovernmental	4,449	0	0	0	4,449
Capital Outlay	199,298	0	2,735,195	132,285	3,066,778
Debt Service:					
Principal Retirement	76,520	405,000	0	0	481,520
Interest and Fiscal Charges	498	510,328	0	0	510,826
<i>Total Expenditures</i>	<u>15,671,487</u>	<u>934,379</u>	<u>2,756,636</u>	<u>3,433,691</u>	<u>22,796,193</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>31,403</u>	<u>7,198</u>	<u>(2,419,500)</u>	<u>(9,612)</u>	<u>(2,390,511)</u>
Other Financing Sources (Uses)					
Inception of Capital Leases	223,325	0	0	0	223,325
Proceeds from Sales of Capital Assets	12,790	0	0	63,356	76,146
Transfers In	0	0	0	38,224	38,224
Transfers Out	(38,224)	0	0	0	(38,224)
<i>Net Change in Fund Balance</i>	229,294	7,198	(2,419,500)	91,968	(2,091,040)
<i>Fund Balance (Deficit) Beginning of Year</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>Fund Balance (Deficit) End of Year</i>	<u>\$ (1,591,459)</u>	<u>\$ 592,730</u>	<u>\$ 823,032</u>	<u>\$ 241,515</u>	<u>\$ 65,818</u>

See accompanying notes to 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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (2,091,040)

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	\$ 3,153,429	
Current Year Depreciation	<u>(1,341,823)</u>	1,811,606

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (780,651)

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

Intergovernmental	(251,486)	
Delinquent Property Taxes	<u>304,262</u>	52,776

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.

General Obligation Bonds	405,000	
Capital Leases	<u>76,520</u>	481,520

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	(745)	
Accretion on Capital Appreciation Bonds	(132,230)	
Refunding Loss Amortization	(22,630)	
Bond Premium Amortization	<u>30,470</u>	(125,135)

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)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

Inception of Capital Lease		(223,325)
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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>199,347</u>
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Change in Net Assets of Governmental Activities \$ (682,741)

See accompanying notes to 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, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 4,820,000	\$ 5,140,000	\$ 5,015,042	\$ (124,958)
Intergovernmental	9,860,762	9,999,391	9,879,400	(119,991)
Investment Income	465	5,000	466	(4,534)
Tuition and Fees	883,918	855,042	885,589	30,547
Rentals	20,988	30,000	21,028	(8,972)
Gifts and Donations	2,685	0	2,690	2,690
Miscellaneous	48,566	36,183	48,666	12,483
<i>Total Revenues</i>	<u>15,637,384</u>	<u>16,065,616</u>	<u>15,852,881</u>	<u>(212,735)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,073,632	8,513,632	8,164,982	348,650
Special	1,743,205	1,743,205	1,597,839	145,366
Vocational	9,050	9,050	6,543	2,507
Adult/Continuing	4,750	4,750	4,654	96
Support Services:				
Pupils	835,014	835,014	748,639	86,375
Instructional Staff	831,301	831,301	854,405	(23,104)
Board of Education	90,600	90,600	89,806	794
Administration	1,018,875	1,018,875	1,178,482	(159,607)
Fiscal	500,300	500,300	541,437	(41,137)
Business	102,257	102,257	111,819	(9,562)
Operation and Maintenance of Plant	1,169,194	1,169,194	1,296,740	(127,546)
Pupil Transportation	981,854	981,854	952,528	29,326
Central	61,048	61,048	27,729	33,319
Operation of Non-Instructional Services:				
Community Services	5,700	5,700	1,526	4,174
Extracurricular Activities	286,371	286,371	317,752	(31,381)
Intergovernmental	0	0	4,449	(4,449)
Debt Service:				
Principal Retirement	55,000	55,000	76,520	(21,520)
Interest and Fiscal Charges	500	500	498	2
<i>Total Expenditures</i>	<u>15,768,651</u>	<u>16,208,651</u>	<u>15,976,348</u>	<u>232,303</u>
Excess of Revenues Over (Under) Expenditures	(131,267)	(143,035)	(123,467)	19,568
Other Financing Sources				
Proceeds from Sale of Assets	10,000	10,000	12,790	2,790
Transfers Out	0	0	(38,224)	(38,224)
Advances Out	0	0	(204,400)	(204,400)
<i>Total Other Financing Sources (Uses)</i>	<u>10,000</u>	<u>10,000</u>	<u>(229,834)</u>	<u>(239,834)</u>
<i>Net Change in Fund Balance</i>	(121,267)	(133,035)	(353,301)	(220,266)
<i>Fund Balance Beginning of Year</i>	(88,878)	(88,878)	(88,878)	0
Prior Year Encumbrances Appropriated	222,182	222,182	222,182	0
<i>Fund Balance End of Year</i>	<u>\$ 12,037</u>	<u>\$ 269</u>	<u>\$ (219,997)</u>	<u>\$ (220,266)</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 9,167</u>	<u>\$ 59,055</u>
Liabilities		
Accounts Payable	\$ 0	\$ 849
Due to Students	<u>0</u>	<u>58,206</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 59,055</u>
Net Assets		
Held in Trust	<u>\$ 9,167</u>	

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 9,167
<i>Net Assets Beginning of Year</i>	<u>0</u>
<i>Net Assets End of Year</i>	<u>\$ 9,167</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2009, was 2,063. The School District employs 146 certificated and 92 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 17 and 18.

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 applies generally accepted principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. 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, 2010

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:

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Retirement Debt Service Fund 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. The School District's only trust fund is a private purpose trust fund that accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds 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.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010, but which were levied to finance fiscal year 2011 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.

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2010, investments were limited to STAROhio, repurchase agreements, certificates of deposit and money market accounts.

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, 2010.

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 2010 amounted to \$466, with \$461 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, 2010, 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.

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. 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.

I. 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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J. Interfund Balances

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

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "*Accounting for Compensated Absences*." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's amount of accumulated sick leave that will be paid as a termination benefit.

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

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments 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.

M. 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.

N. 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, 2010, 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.

O. 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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Activity

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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

R. Estimates

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

S. Budgetary Data

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Changes in Accounting Principles

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*,” GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*,” and GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*.”

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

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

NOTE 3: FUND DEFICITS

Fund balances at June 30, 2010 included the following individual fund deficits:

	Deficit
General Fund	\$ 1,591,459
Non-Major Funds:	
Food Service	278,417
Uniform School Supplies	3,541
Athletics	2,307
Idea Part B	12,057
State Fiscal Stabilization	39,137
Title I	15,115
Title V	872
Title II-A	13,568

The deficits in the non-major funds resulted from adjustments for accrued liabilities.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

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).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (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	\$ 229,294
Net Adjustment for Revenue Accruals	149,991
Net Adjustment for Expenditure Accruals	(419,136)
Advances Out	(204,400)
Adjustment for Encumbrances	(109,050)
Budget Basis	\$ (353,301)

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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
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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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 2010, 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 \$1,194,470. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2010, \$505,666 of the School District's bank balance of \$1,287,120 was covered by Federal Deposit Insurance Corporation. \$781,454 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2010, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
Repurchase Agreement	<u>\$ 858,846</u>	<u>\$ 858,846</u>

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. 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, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	<u>\$ 858,846</u>	<u>100.00%</u>

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 6: RECEIVABLES

Receivables at June 30, 2010 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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 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 2010 (other than public utility property) represent the collection of calendar year 2010 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 2009 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 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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 was 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, 2010

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, 2010, 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, 2010, 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, 2010 was \$157,899 in the general fund, \$25,304 in the bond retirement debt service fund and \$2,629 in the maintenance special revenue fund. The amount available as an advance at June 30, 2009, was \$356,948 in the general fund and \$56,177 in the bond retirement debt service fund and \$5,770 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 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 156,989,590	78%	\$ 156,053,680	79%
Commercial/Industrial/ Public Utility/Minerals	31,950,230	16%	31,476,490	16%
Tangible Personal Property	12,759,397	6%	9,326,694	5%
Total Assessed Value	\$ 201,699,217	100%	\$ 196,856,864	100%
Tax Rate per \$1,000 of Assessed Value:				
Columbiana County	\$ 44.90		\$ 45.00	
Carroll County	\$ 44.40		\$ 44.50	
Stark County	\$ 44.90		\$ 45.00	

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 127,797	\$ 0	\$ 0	\$ 127,797
Construction in Progress	13,863,887	2,303,256	(16,131,631)	35,512
<i>Total Capital Assets, not being depreciated</i>	13,991,684	2,303,256	(16,131,631)	163,309
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,330,840	16,131,631	(2,356,245)	44,106,226
Furniture and Equipment	4,181,978	773,594	(3,206,561)	1,749,011
Vehicles	1,320,604	76,579	(34,807)	1,362,376
<i>Total Capital Assets, being depreciated</i>	35,833,422	16,981,804	(5,597,613)	47,217,613
<i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(6,419,670)	(1,389,547)	1,757,657	(6,051,560)
Furniture and Equipment	(3,676,842)	(31,093)	3,024,498	(683,437)
Vehicles	(1,127,599)	78,817	34,807	(1,013,975)
<i>Total Accumulated Depreciation</i>	(11,224,111)	(1,341,823) *	4,816,962	(7,748,972)
<i>Total Capital Assets being depreciated, net</i>	24,609,311	15,639,981	(780,651)	39,468,641
<i>Governmental Activities Capital Assets, Net</i>	\$ 38,600,995	\$ 17,943,237	\$ (16,912,282)	\$ 39,631,950

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,044,680
Vocational	675
Support Services:	
Pupils	423
Instructional Staff	2,362
Administration	2,463
Fiscal	2,153
Operation and Maintenance of Plant	140,714
Pupil Transportation	60,548
Operation of Non-Instructional Services:	
Food Service Operations	35,563
Extracurricular Activities	52,242
Total Depreciation Expense	\$ 1,341,823

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 9: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2010 were as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
<i>General Obligation Bonds:</i>					
2002 Classroom Facilities Bonds:					
Series Bonds -					
\$13,730,000 - 3.35%-5.125%	\$ 2,890,000	\$ 0	\$ (325,000)	\$ 2,565,000	\$ 350,000
Capital Appreciation Bonds -					
\$294,998 - 7.02%	294,998	0	0	294,998	0
Accretion on Capital					
Appreciation Bonds	345,272	74,178	0	419,450	0
2006 Classroom Facilities Bonds:					
Serial and Term Bonds -					
\$9,200,000 - 3.5%-4.35%	9,000,000	0	(80,000)	8,920,000	85,000
Capital Appreciation Bonds -					
\$64,993 - 4.15%-4.25%	64,993	0	0	64,993	0
Accretion on Capital					
Appreciation Bonds	100,884	58,052	0	158,936	0
Unamortized Premium	639,860	(30,470)	0	609,390	0
Refunding Loss	(475,232)	22,630	0	(452,602)	0
<i>Total General Obligation Bonds</i>	12,860,775	124,390	(405,000)	12,580,165	435,000
Capital Leases	0	223,325	(76,520)	146,805	72,223
Compensated Absences	1,288,751	0	(199,347)	1,089,404	121,619
Total Governmental Activities					
Long-Term Obligations	<u>\$ 14,149,526</u>	<u>\$ 347,715</u>	<u>\$ (680,867)</u>	<u>\$ 13,816,374</u>	<u>\$ 628,842</u>

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 2010, the accretion amount was \$74,178.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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, 2010 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 2010 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 2010 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:

<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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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 2010 accretion amount is \$58,052.

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. Capital leases will be paid from the general fund. Compensated absences will be paid from the general and food service fund.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2010 are as follows:

Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	460,000	439,461	0	0	460,000	439,461
2016-2020	1,825,000	2,005,344	0	0	1,825,000	2,005,344
2021-2025	3,615,000	1,338,718	0	0	3,615,000	1,338,718
2026-2030	4,440,000	496,637	0	0	4,440,000	496,637
Total	<u>\$ 11,485,000</u>	<u>\$ 6,199,687</u>	<u>\$ 359,991</u>	<u>\$ 1,775,009</u>	<u>\$ 11,844,991</u>	<u>\$ 7,974,696</u>

NOTE 10: CAPITALIZED LEASES

During fiscal year 2010, the School District entered into lease agreements for a bus and computers. The leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

The bus has been capitalized in the governmental capital assets in the amount of \$76,579, the present value of the minimum lease payments at the inception of each lease. The computers were below the School District's capitalization threshold of \$2,000 per item, and therefore, were not capitalized. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. Principal payments in fiscal year 2010 totaled \$76,520 in the governmental funds.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 10: CAPITALIZED LEASES (Continued)

The following is a schedule of the future long term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010:

Year ending June 30,	2011	\$ 77,019
	2012	<u>77,019</u>
		154,038
Less amount representing interest		<u>7,233</u>
Present value of minimum lease payments		<u><u>\$ 146,805</u></u>

NOTE 11: 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 2010, 12.78 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, 2010, 2009 and 2008 were \$317,394, \$238,003 and \$225,135, respectively; 35 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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, 2010, 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 2009, 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, 2010, 2009, and 2008 were 1,103,915, \$1,071,249 and \$1,112,197, respectively; 80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$22,011 made by the School District and \$10,540 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, all but one member of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 12: 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 2010, .46 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 2010, 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, 2010, 2009, and 2008 were \$11,424, \$108,921 and \$102,736, respectively; 35 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$18,875, \$19,637 and \$16,222, respectively; 35 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

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 2010, 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, 2010, 2009, and 2008 were \$84,917, \$82,404 and \$85,554, respectively; 80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 13: INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at June 30, 2010 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 205,272	\$ 110,947
Other Governmental Funds:		
Food Service	0	200,000
Public School Support	75,196	4,400
Amazing Arts	0	82
Choir High School	3,979	268
State Fiscal Stabilization	32,122	0
Title V	0	872
Total	\$ 316,569	\$ 316,569

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.

B. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2010, consisted of the following:

	Transfers Out	Transfers In
General Fund	\$ 38,224	\$ 0
Other Governmental Funds:		
Permanent Improvement	0	35,433
Title VI-B	0	2,241
Title V	0	65
Drug-Free Grant	0	485
Total	\$ 38,224	\$ 38,224

The general fund transferred \$38,224 to other funds to provide additional resources for current operations.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 14: 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, 2009	\$ 63,134	\$ 0	\$ 63,134
Current Year Set-Aside Requirement	330,743	330,743	661,486
Current Year Offsets	0	(138,403)	(138,403)
Current Year Qualifying Disbursements	(245,385)	0	(245,385)
Balance Carried Forward from Prior Year	<u>0</u>	<u>(13,038,963)</u>	<u>(13,038,963)</u>
 Total	 <u>\$ 148,492</u>	 <u>\$ (12,846,623)</u>	 <u>\$ (12,698,131)</u>
 Set-Aside Balance Carried Forward to Future Fiscal Years	 <u>\$ 148,492</u>	 <u>\$ (12,846,623)</u>	
 Set-Aside Reserve Balance as of June 30, 2010	 <u>\$ 148,492</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 \$148,492. This amount should also be reported as restricted cash and cash equivalents in the general fund. However, the School District did not have a sufficient cash balance in the general fund to cover this reserve.

NOTE 15: CONTRACTUAL COMMITMENTS

As of June 30, 2010, the School District had contractual commitments for construction of the Minerva High School Hall of Fame.

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance June 30, 2010</u>
Benchmark Construction	\$ 68,728	\$ 48,034	\$ 20,694
RT Hampton	7,485	5,707	1,778
Wood Electric	11,417	8,408	3,009
Lawrence and Dykes	<u>10,031</u>	<u>0</u>	<u>10,031</u>
 Total	 <u>\$ 97,661</u>	 <u>\$ 62,149</u>	 <u>\$ 35,512</u>

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 16: 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 \$67,568,321. 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.

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 16: RISK MANAGEMENT (Continued)

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 2010, the School District's monthly premiums were \$1,136.52 for family coverage and \$467.85 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 2010, the School District's cost was \$146.55 for family coverage and \$59.40 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 17: 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, 2010

NOTE 18: 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 \$107,925 to SPARCC during the fiscal year 2010. 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 19: 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 are 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, 2010.

B. Litigation

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

MINERVA LOCALSCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
Cash Assistance:					
School Breakfast Program	10.553	\$123,753		\$123,753	
National School Lunch Program	10.555	365,618		365,618	
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$45,543		\$45,543
Total Child Nutrition Cluster		489,371	45,543	489,371	45,543
Total U.S. Department of Agriculture		489,371	45,543	489,371	45,543
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	22,730		395,690	
ARRA Special Education Grants to States	84.391	338,693		325,126	
Total Special Education Cluster		361,423		720,816	
Title I, Grants to Local Educational Agencies	84.010	533,075		514,003	
ARRA Title I, Grants to Local Educational Agencies	84.389	109,798		109,790	
Total Title I Grants		642,873		623,793	
Improving Teacher Quality State Grants	84.367	130,778		109,375	
Safe and Drug-Free Schools and Communities State Grants	84.186	13,924		7,654	
Education Technology State Grants	84.318	3,857		5,273	
Innovative Education Program Strategies	84.298	233		0	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	578,038		548,950	
Total U.S. Department of Education		1,731,125		2,015,861	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio DODD</i>					
Medical Assistance Program (CAFS)	93.778	34,048		34,048	
Total U.S. Department of Health and Human Services		34,048		34,048	
Totals		\$2,254,544	\$45,543	\$2,539,280	\$45,543

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

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

NOTE C – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 25, 2011.

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

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 25, 2011



Dave Yost • Auditor of State

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

Minerva Local School District
Stark County
312 E. Lincolnway
Minerva, Ohio 44657

To the Board of Education:

Compliance

We have audited the compliance of the Minerva Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Minerva Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 25, 2011

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA 10.553 and 10.555; Special Education Grants to States CFDA 84.027 and 84.391; Title 1 CFDA 84.010 and 84.389; State Fiscal Stabilization Fund CFDA 84.394
(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**

<i>Finding Number</i>	2010-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.10 requires monies paid into any fund be used only for the purposes for which such fund is established. Throughout fiscal year 2010, the District had negative cash fund balance in the General Fund (001) for the following months: July 2009 (\$261,178), November 2009 (\$245,155), December 2009 (\$784,553), January 2010 (\$1,112,908), February 2010 (\$658,029), and June 2010 (\$110,927). The District also had a negative balance in the Food Service Fund (006) for the following months: July 2009 (\$209,730), August 2009 (\$227,282), September 2009 (\$259,014), October 2009 (\$291,411), November 2009 (\$223,975), December 2009 (\$285,991), January 2011 (\$218,991), February 2011 (\$211,164), March 2011 (\$183,526), and June (\$15,532). In addition, the District had a negative fund balances in the following special revenue funds for the following months: IDEA Part B Fund (516) October 2009 (\$21,706), April 2010 (\$11,067); Title I Fund (572) October 2009 (\$26,269), April 2010 (\$1,305); Title V Fund (573) October 2009 (\$65); and Title II-A Fund (590) April 2010 (\$8,613).

The District should monitor fund activity 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.

Official's Response: The District's Board and Administration have been evaluating all of the District's programs to determine where cost-cutting measures can be taken. Currently, we have been reducing expenditures by tightly monitoring the amount of supply purchases and by not replacing retiring/resigning employees' positions unless necessary. The District has eliminated over 40 positions in the past 6 years through attrition. We will continue this aggressive approach in an effort to restore the General Fund to a healthy financial condition. While the District has been in violation of the Revised Code for negative fund balances, we have avoided significant amounts of interest expenditures that would be incurred if Tax Anticipation Notes were issued to eliminate the negative fund balances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.36 (A) (4) – Appropriations exceeded actual resources in the General, Lunchroom, and IDEA Part B funds.	Yes	Finding No Longer Valid
2009-002	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources in the General, Lunchroom, and IDEA Part B funds.	Yes	Finding No Longer Valid
2009-003	Ohio Rev. Code Section 2705.10 – The District had negative cash fund balances in several funds at year end.	No	Not Corrected – Repeated as Finding 2010-001

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Dave Yost • 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
MARCH 31, 2011**