



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.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
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	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	58

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Minerva Local School District
Stark County
406 East Street
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, 2012, 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, 2012, 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 December 14, 2012, 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 as 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

December 14, 2012

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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 2012 are as follows:

- Net assets decreased \$972,287, which represents a 3.5% decrease from 2011.
- Capital assets decreased \$482,134 during fiscal year 2012.
- During the year, outstanding bond debt decreased from \$12,149,527 to \$11,794,541 due to principal payments made by the School District.
- Total revenues decreased \$2,393,083, which represents a 10.9% decrease from 2011.
- Expenditures decreased \$135,439, which represents a 0.7% decrease from 2011.

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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Minerva Local School District, the general and bond retirement funds are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" 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
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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*, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of 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 and bond retirement 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.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 9,172,517	\$ 9,887,679
Capital Assets	38,173,944	38,656,078
<i>Total Assets</i>	47,346,461	48,543,757
Liabilities		
Other Liabilities	7,358,268	7,057,270
Long-Term Liabilities	13,150,644	13,676,651
<i>Total Liabilities</i>	20,508,912	20,733,921
Net Assets		
Invested in Capital Assets, Net of Debt	26,813,805	27,012,146
Restricted	1,338,818	2,354,788
Unrestricted	(1,315,074)	(1,557,098)
<i>Total Net Assets</i>	\$ 26,837,549	\$ 27,809,836

At year end, capital assets represented 81 percent of total assets. Capital assets include, land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt were \$26,813,805 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$1,338,818, or 5 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets was a deficit of \$1,315,074.

Current and other assets decreased \$715,162, which was primarily due to a decrease in intergovernmental receivable from federal ARRA grants expiring. The decrease in capital assets of \$482,134 is due to current year depreciation exceeding current year additions.

Long term liabilities decreased by \$526,007 which is mainly due to principal payments made by the School District.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,572,318	\$ 1,401,427
Operating Grants	1,807,891	2,826,199
Capital Grants	0	1,321
<i>Total Program Revenues</i>	<u>3,380,209</u>	<u>4,228,947</u>
<i>General Revenues:</i>		
Property Taxes	5,765,884	6,656,344
Grants and Entitlements Not Restricted	10,139,977	10,931,469
Other	215,607	78,000
<i>Total General Revenues</i>	<u>16,121,468</u>	<u>17,665,813</u>
<i>Total Revenues</i>	<u>19,501,677</u>	<u>21,894,760</u>
Program Expenses		
Instruction:		
Regular	9,299,083	9,260,041
Special	2,538,160	2,711,344
Vocational	7,399	7,171
Adult/Continuing	5,283	4,666
Support Services:		
Pupils	767,703	759,782
Instructional Staff	976,551	845,782
Board of Education	125,734	87,886
Administration	1,586,778	1,541,045
Fiscal	474,277	485,656
Business	115,919	110,033
Operation and Maintenance of Plant	1,317,564	1,313,713
Pupil Transportation	1,061,947	960,549
Central	12,468	8,816
Operation of Non-Instructional Services:		
Food Service Operations	819,363	778,220
Community Services	25,542	44,071
Extracurricular Activities	568,041	616,622
Intergovernmental	0	408,025
Debt Service:		
Interest and Fiscal Charges	723,108	665,981
Issuance Costs	49,044	0
<i>Total Expenses</i>	<u>20,473,964</u>	<u>20,609,403</u>
<i>Increase (Decrease) in Net Assets</i>	(972,287)	1,285,357
<i>Net Assets at Beginning of Year</i>	27,809,836	26,524,479
<i>Net Assets at End of Year</i>	<u>\$ 26,837,549</u>	<u>\$ 27,809,836</u>

The \$1,018,308 decrease in operating grants is due to the federal ARRA grants expiring. Property taxes also showed a decrease in the amount of \$890,460. This decrease is due to fluctuations in the amount available for advance at year end, which can vary based on when tax bills are sent.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 9,299,083	\$ 9,260,041	\$ (8,206,199)	\$ (7,542,139)
Special	2,538,160	2,711,344	(1,614,243)	(1,477,783)
Vocational	7,399	7,171	(7,399)	(7,171)
Adult/Continuing	5,283	4,666	(4,808)	(4,666)
Support Services:				
Pupils	767,703	759,782	(742,932)	(730,542)
Instructional Staff	976,551	845,782	(935,107)	(816,811)
Board of Education	125,734	87,886	(125,734)	(87,886)
Administration	1,586,778	1,541,045	(1,566,647)	(1,536,045)
Fiscal	474,277	485,656	(474,277)	(485,656)
Business	115,919	110,033	(115,919)	(110,033)
Operation and Maintenance of Plant	1,317,564	1,313,713	(1,240,167)	(1,241,455)
Pupil Transportation	1,061,947	960,549	(990,121)	(940,631)
Central	12,468	8,816	(12,468)	(8,816)
Operation of Non-Instructional Services:				
Food Service Operations	819,363	778,220	23,581	55,836
Community Services	25,542	44,071	(727)	(17,935)
Extracurricular Activities	568,041	616,622	(308,436)	(354,717)
Intergovernmental	0	408,025	0	(408,025)
Debt Service:				
Interest and Fiscal Charges	723,108	665,981	(723,108)	(665,981)
Issuance Costs	49,044	0	(49,044)	0
<i>Total Expenses</i>	<u>\$ 20,473,964</u>	<u>\$ 20,609,403</u>	<u>\$ (17,093,755)</u>	<u>\$ (16,380,456)</u>

The dependence upon general revenues for governmental activities is apparent. Over 79 percent of governmental activities are supported through taxes and other general revenues; such revenues are 83 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Governmental Funds

Information about the School District's major 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 \$22,327,697 and expenditures and other financing uses of \$22,742,219 for fiscal year. The net change in fund balances for the fiscal year was a decrease of \$414,522 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2012 was a decrease of \$53,549.

The fund balance of the bond retirement fund decreased by \$15,147.

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 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, original budget basis revenue and other financing sources of \$16,514,566 was higher than the final budget basis revenue and other financing sources of \$15,981,402 by \$533,164. The majority of this difference was due to an over estimation of intergovernmental revenue. Actual revenue and other financing sources of \$16,097,658 were \$116,256 higher than the final budget basis estimate of \$15,981,402. The majority of this difference was due to an underestimation of tuition and fees.

Final appropriations and other financing uses of \$16,489,053 were \$650,003 higher than the \$15,839,050 in the original budget. The majority of this difference can be seen in the area of regular instruction.

Final appropriations and other financing uses of \$16,489,053 were \$305,728 higher than the actual expenditures and other financing uses of \$16,183,325, as cost savings were recognized for instruction and student support services throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$38,173,944 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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

	Governmental Activities	
	2012	2011
Land	\$ 127,797	\$ 127,797
Buildings and Building Improvements	36,794,423	37,292,321
Furniture and Equipment	940,986	947,473
Vehicles	310,738	288,487
<i>Totals</i>	<u>\$ 38,173,944</u>	<u>\$ 38,656,078</u>

The \$482,134 decrease in capital assets was attributable to depreciation and disposals exceeding current year purchases. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2012, the School District had \$11,794,541 in debt outstanding. See Note 9 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
General Obligation Bonds:		
Various Series Bonds	\$ 10,815,000	\$ 11,050,000
Various Capital Appreciation Bonds	352,986	359,991
Accretion on Capital Appreciation Bonds	626,555	739,536
<i>Totals</i>	<u>\$ 11,794,541</u>	<u>\$ 12,149,527</u>

Current Issues

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

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.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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 29.6 percent of revenues for governmental activities for the Minerva Local School District in fiscal year 2012.

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. Ohio's newly elected Governor eliminated the Evidence Based Model and appointed a panel to develop a new funding model. In the meantime, the state is using a "Bridge Formula" that is based on the amount of funding received in the previous fiscal year and current enrollment. The district is concerned about the funding for fiscal year 2014 and 2015 in the next state budget and anxiously awaits more information regarding it.

The Minerva Local School District is anticipating only very limited growth in state revenue as the result of more students entering than leaving the School District under open enrollment policies. The School 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 Larry Pottorf, Treasurer of Minerva School District, 406 East Street, Minerva, Ohio 44657 or pottorl@minerva.sparcc.org.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,084,900
Receivables:	
Taxes	6,178,407
Accounts	22,591
Intergovernmental	365,063
Prepaid Items	336,153
Materials and Supplies Inventory	44,296
Deferred Charges	141,107
Nondepreciable Capital Assets	127,797
Depreciable Capital Assets (Net)	<u>38,046,147</u>
 <i>Total Assets</i>	 <u>47,346,461</u>
 Liabilities	
Accounts Payable	50,982
Accrued Wages and Benefits	1,345,103
Accrued Interest Payable	43,935
Intergovernmental Payable	595,725
Matured Compensated Absences Payable	316,922
Deferred Revenue	5,005,601
Long-Term Liabilities:	
Due Within One Year	742,774
Due In More Than One Year	<u>12,407,870</u>
 <i>Total Liabilities</i>	 <u>20,508,912</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	26,813,805
Restricted for:	
Debt Service	775,942
Other Purposes	562,876
Unrestricted	<u>(1,315,074)</u>
 <i>Total Net Assets</i>	 <u>\$ 26,837,549</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 9,299,083	\$ 975,657	\$ 117,227	\$ (8,206,199)
Special	2,538,160	56,734	867,183	(1,614,243)
Vocational	7,399	0	0	(7,399)
Adult/Continuing	5,283	475	0	(4,808)
Support Services:				
Pupils	767,703	0	24,771	(742,932)
Instructional Staff	976,551	0	41,444	(935,107)
Board of Education	125,734	0	0	(125,734)
Administration	1,586,778	20,131	0	(1,566,647)
Fiscal	474,277	0	0	(474,277)
Business	115,919	0	0	(115,919)
Operation and Maintenance of Plant	1,317,564	19,422	57,975	(1,240,167)
Pupil Transportation	1,061,947	37,746	34,080	(990,121)
Central	12,468	0	0	(12,468)
Operation of Non-Instructional Services:				
Food Service	819,363	232,831	610,113	23,581
Community Services	25,542	0	24,815	(727)
Extracurricular Activities	568,041	229,322	30,283	(308,436)
Interest and Fiscal Charges	723,108	0	0	(723,108)
Issuance Costs	49,044	0	0	(49,044)
Total Governmental Activities	\$ 20,473,964	\$ 1,572,318	\$ 1,807,891	(17,093,755)

General Revenues

Property Taxes Levied for:

General Purposes	4,872,243
Debt Service	815,244
Classroom Facilities Maintenance	78,397
Grants and Entitlements not Restricted to Specific Programs	10,139,977
Investment Earnings	4,487
Premium on Refunding Bonds Issued	115,189
Miscellaneous	95,931

Total General Revenues 16,121,468

Change in Net Assets (972,287)

Net Assets Beginning of Year 27,809,836

Net Assets End of Year \$ 26,837,549

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2012*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 744,558	\$ 649,427	\$ 690,915	\$ 2,084,900
Receivables:				
Taxes	5,292,262	799,432	86,713	6,178,407
Accounts	22,395	0	196	22,591
Interfund	120,921	0	0	120,921
Intergovernmental	79,915	0	285,148	365,063
Due From Other Funds	17,231	0	0	17,231
Prepaid Items	336,153	0	0	336,153
Materials and Supplies Inventory	44,296	0	0	44,296
Advances to Other Funds	200,000	0	0	200,000
	<u>6,857,731</u>	<u>1,448,859</u>	<u>1,062,972</u>	<u>9,369,562</u>
<i>Total Assets</i>	<u>\$ 6,857,731</u>	<u>\$ 1,448,859</u>	<u>\$ 1,062,972</u>	<u>\$ 9,369,562</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 43,590	\$ 0	\$ 7,392	\$ 50,982
Accrued Wages and Benefits	1,249,228	0	95,875	1,345,103
Interfund Payable	0	0	120,921	120,921
Due To Other Funds	3,089	0	14,142	17,231
Intergovernmental Payable	549,965	0	45,760	595,725
Matured Compensated Absences Payable	312,646	0	4,276	316,922
Deferred Revenue	4,704,314	694,676	261,392	5,660,382
Advances From Other Funds	0	0	200,000	200,000
	<u>6,862,832</u>	<u>694,676</u>	<u>749,758</u>	<u>8,307,266</u>
<i>Total Liabilities</i>	6,862,832	694,676	749,758	8,307,266
Fund Balances				
Nonspendable	580,449	0	0	580,449
Restricted	0	754,183	549,600	1,303,783
Assigned	5,500	0	0	5,500
Unassigned	(591,050)	0	(236,386)	(827,436)
	<u>(5,101)</u>	<u>754,183</u>	<u>313,214</u>	<u>1,062,296</u>
<i>Total Fund Balances</i>	<u>(5,101)</u>	<u>754,183</u>	<u>313,214</u>	<u>1,062,296</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,857,731</u>	<u>\$ 1,448,859</u>	<u>\$ 1,062,972</u>	<u>\$ 9,369,562</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, 2012*

Total Governmental Fund Balances	\$	1,062,296
----------------------------------	----	-----------

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,173,944
---	--	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 254,320	
Delinquent Property Taxes	400,461	654,781

Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the bonds on an accrual basis.		
Issuance Costs - Deferred Charges	188,141	
Accumulated Amortization	(47,034)	141,107

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(43,935)
--	--	----------

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	(10,815,000)	
Capital Appreciation Bonds	(352,986)	
Unamortized Bond Premium	(548,452)	
Bond Accretion	(626,555)	
Bond Refunding Loss	407,342	
Capital Leases	(192,150)	
Compensated Absences	(1,022,843)	(13,150,644)

<i>Net Assets of Governmental Activities</i>	\$	26,837,549
--	----	------------

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, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,840,199	\$ 810,277	\$ 78,028	\$ 5,728,504
Intergovernmental	9,942,684	200,018	2,348,708	12,491,410
Investment Income	4,487	0	0	4,487
Tuition and Fees	972,987	0	0	972,987
Extracurricular Activities	137,602	0	190,497	328,099
Gifts and Donations	12,813	0	49,220	62,033
Rentals	19,422	0	0	19,422
Charges for Services	18,979	0	232,831	251,810
Miscellaneous	91,754	0	4,177	95,931
<i>Total Revenues</i>	<u>16,040,927</u>	<u>1,010,295</u>	<u>2,903,461</u>	<u>19,954,683</u>
Expenditures				
Current:				
Instruction:				
Regular	7,689,842	0	667,614	8,357,456
Special	1,751,416	0	794,092	2,545,508
Vocational	6,724	0	0	6,724
Adult/Continuing	5,283	0	0	5,283
Support Services:				
Pupils	771,283	0	15,987	787,270
Instructional Staff	931,959	0	84,864	1,016,823
Board of Education	125,734	0	0	125,734
Administration	1,592,186	0	1,454	1,593,640
Fiscal	441,080	20,038	3,222	464,340
Business	114,524	0	0	114,524
Operation and Maintenance of Plant	1,129,680	0	49,982	1,179,662
Pupil Transportation	1,081,755	0	34,111	1,115,866
Central	8,416	0	4,052	12,468
Operation of Non-Instructional Services:				
Food Services	0	0	774,635	774,635
Community Services	1,370	0	24,172	25,542
Extracurricular Activities	328,117	0	198,013	526,130
Capital Outlay	16,407	0	641,344	657,751
Debt Service:				
Principal Retirement	41,787	240,575	0	282,362
Interest and Fiscal Charges	12,658	766,419	0	779,077
Issuance Costs	0	49,044	0	49,044
<i>Total Expenditures</i>	<u>16,050,221</u>	<u>1,076,076</u>	<u>3,293,542</u>	<u>20,419,839</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(9,294)</u>	<u>(65,781)</u>	<u>(390,081)</u>	<u>(465,156)</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	2,213,570	0	2,213,570
Premium on Refunding Bonds Issued	0	115,189	0	115,189
Payment to Refunded Bond Escrow Agent	0	(2,278,125)	0	(2,278,125)
Transfers In	0	0	44,255	44,255
Transfers Out	(44,255)	0	0	(44,255)
<i>Total Financing Sources (Uses)</i>	<u>(44,255)</u>	<u>50,634</u>	<u>44,255</u>	<u>50,634</u>
<i>Net Change in Fund Balance</i>	<u>(53,549)</u>	<u>(15,147)</u>	<u>(345,826)</u>	<u>(414,522)</u>
<i>Fund Balance Beginning of Year</i>	<u>48,448</u>	<u>769,330</u>	<u>659,040</u>	<u>1,476,818</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ (5,101)</u>	<u>\$ 754,183</u>	<u>\$ 313,214</u>	<u>\$ 1,062,296</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, 2012

Net Change in Fund Balances - Total Governmental Funds		\$ (414,522)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 834,683	
Current Year Depreciation	<u>(1,309,416)</u>	(474,733)
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.		
		(7,401)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(637,292)	
Delinquent Property Taxes	<u>37,380</u>	(599,912)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
General Obligation Bonds	85,000	
Bond Principal Paid to Refunded Bond Escrow Agent	2,215,000	
Capital Appreciation Bonds	155,575	
Accreted Interest on Capital Appreciation Bonds	284,425	
Capital Leases	<u>41,787</u>	2,781,787
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	6,113	
Accretion on Capital Appreciation Bonds	(171,444)	
Refunding Loss Amortization	(22,630)	
Bond Premium Amortization	<u>30,469</u>	(157,492)
In the 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.		
Proceeds from Refunding Bonds Issued		(2,213,570)
Some expenses reported in the Statement of Activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>121,395</u>
 <i>Change in Net Assets of Governmental Activities</i>		 <u>\$ (972,287)</u>

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 5,000,000	\$ 5,000,000	\$ 4,997,759	\$ (2,241)
Intergovernmental	10,422,422	10,061,734	9,943,681	(118,053)
Investment Income	4,703	5,000	4,487	(513)
Tuition and Fees	1,014,294	864,200	967,704	103,504
Rentals	20,357	15,000	19,422	4,422
Gifts and Donations	6,943	0	6,624	6,624
Miscellaneous	27,847	17,468	26,568	9,100
<i>Total Revenues</i>	<u>16,496,566</u>	<u>15,963,402</u>	<u>15,966,245</u>	<u>2,843</u>
Expenditures				
Current:				
Instruction:				
Regular	7,308,835	7,611,677	7,461,460	150,217
Special	1,783,735	1,857,644	1,820,983	36,661
Vocational	6,619	6,893	6,757	136
Adult/Continuing	5,196	5,412	5,305	107
Support Services:				
Pupils	747,059	778,013	762,659	15,354
Instructional Staff	1,171,764	1,220,316	1,196,233	24,083
Board of Education	145,918	151,964	148,965	2,999
Administration	1,461,390	1,521,943	1,491,907	30,036
Fiscal	432,983	450,924	442,025	8,899
Business	108,405	112,897	110,669	2,228
Operation and Maintenance of Plant	1,108,910	1,154,858	1,132,067	22,791
Pupil Transportation	1,032,384	1,075,161	1,053,943	21,218
Central	8,279	8,622	8,452	170
Operation of Non-Instructional Services:				
Community Services	1,342	1,398	1,370	28
Extracurricular Activities	294,985	307,208	301,145	6,063
Capital Outlay	16,071	16,737	16,407	330
Debt Service:				
Principal Retirement	39,971	41,628	41,787	(159)
Interest and Fiscal Charges	13,360	13,914	12,658	1,256
<i>Total Expenditures</i>	<u>15,687,206</u>	<u>16,337,209</u>	<u>16,014,792</u>	<u>322,417</u>
Excess of Revenues (Under) Over Expenditures	809,360	(373,807)	(48,547)	325,260
Other Financing Uses				
Advances In	18,000	18,000	59,589	41,589
Refund of Prior Year Expenditures	0	0	71,824	71,824
Transfers Out	(44,255)	(44,255)	(44,255)	0
Advances Out	(107,589)	(107,589)	(107,589)	0
Refund of Prior Year Receipts	0	0	(16,208)	(16,208)
Other Financing Uses	0	0	(481)	(481)
<i>Total Other Financing Sources (Uses)</i>	<u>(133,844)</u>	<u>(133,844)</u>	<u>(37,120)</u>	<u>96,724</u>
<i>Net Change in Fund Balance</i>	675,516	(507,651)	(85,667)	421,984
<i>Fund Balance Beginning of Year</i>	507,035	507,035	507,035	0
Prior Year Encumbrances Appropriated	59,052	59,052	59,052	0
<i>Fund Balance End of Year</i>	<u>\$ 1,241,603</u>	<u>\$ 58,436</u>	<u>\$ 480,420</u>	<u>\$ 421,984</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 55,796</u>	<u>\$ 58,579</u>
Liabilities		
Accounts Payable	0	1,146
Due to Students	<u>0</u>	<u>57,433</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 58,579</u>
Net Assets		
Held in Trust	<u>\$ 55,796</u>	

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 45,589
Deductions	
Payments in Accordance with Trust Agreements	18,969
<i>Change in Net Assets</i>	26,620
<i>Net Assets Beginning of Year</i>	29,176
<i>Net Assets End of Year</i>	\$ 55,796

See accompanying notes to the basic financial statements.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 School 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, 2011, was 1,979. The School District employs 123 certificated and 87 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 on the next page.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Retirement 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.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012, but which were levied to finance fiscal year 2013 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)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2012, investments were limited to repurchase agreement.

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.

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 2012 amounted to \$4,487 with \$3,315 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, 2012, 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)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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:

Description	Estimated Lives
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." Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as "due to/due from other funds." These amounts are eliminated in the governmental columns of the Statement of Net Assets.

Long-term interfund loans (advances) are classified as "advances from other funds" and "advances to other funds". These amounts are eliminated in the governmental column 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)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012, 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

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 2012.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3: FUND DEFICITS

Fund balances at June 30, 2012 included the following individual fund deficits:

	Deficit
Major Fund:	
General	\$ 109,256
Non-Major Funds:	
Food Service	130,393
Title I	3,046
Idea Part B	11,900
Title IIA	24
Title V	872
Improving Teacher Quality	294
Permanent Improvement Fund	89,857

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

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).
5. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	
	General
GAAP Basis	\$ (53,549)
Net Adjustment for Revenue Accruals	146,782
Advances In	59,589
Net Adjustment for Expenditure Accruals	80,717
Funds Budgeted Elsewhere**	(24,890)
Advances Out	(107,589)
Adjustment for Encumbrances	(186,727)
Budget Basis	\$ (85,667)

** As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, certain funds that are legally budgeted in separate special revenue funds is considered part of the general fund on a GAAP basis. This includes public school support and uniform school supplies funds.

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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.

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.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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 2012, 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 \$179,720. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2012, the School District’s entire bank balance of \$256,402 was covered by Federal Deposit Insurance Corporation. 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.

Investments

As of June 30, 2012, 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	\$ 2,019,555	\$ 2,019,555

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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 percent. 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 School 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, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	<u>\$ 2,019,555</u>	<u>100.00%</u>

NOTE 6: RECEIVABLES

Receivables at June 30, 2012 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 School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7: PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased 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 in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was 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 was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Carroll, Columbiana and Stark Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 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 and public utility property taxes which are measurable as of June 30, 2012, 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, 2012 was \$658,596 in the general fund, \$104,756 in the bond retirement debt service fund, and \$8,993 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2011, was \$816,156 in the general fund, \$136,665 in the bond retirement debt service fund, and \$13,360 in the classroom facilities maintenance special revenue fund.

On an 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.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 7: PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 189,644,590	95%	\$ 189,535,120	95%
Public Utility Personal Property	9,464,270	5%	9,573,000	5%
 Total Assessed Value	 \$ 199,108,860	 100%	 \$ 199,108,120	 100%
Tax Rate per \$1,000 of Assessed Value:				
Columbiana County	\$ 45.30		\$ 45.20	
Carroll County	\$ 44.80		\$ 44.70	
Stark County	\$ 46.80		\$ 45.20	

This space intentionally left blank.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 127,797	\$ 0	\$ 0	\$ 127,797
<i>Total Capital Assets, not being depreciated</i>	127,797	0	0	127,797
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	44,411,967	647,163	0	45,059,130
Furniture and Equipment	1,751,108	111,694	(15,313)	1,847,489
Vehicles	1,362,376	75,826	(51,692)	1,386,510
<i>Total Capital Assets, being depreciated</i>	47,525,451	834,683	(67,005)	48,293,129
<i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(7,119,646)	(1,145,061)	0	(8,264,707)
Furniture and Equipment	(803,635)	(115,949)	13,081	(906,503)
Vehicles	(1,073,889)	(48,406)	46,523	(1,075,772)
<i>Total Accumulated Depreciation</i>	(8,997,170)	(1,309,416) *	59,604	(10,246,982)
<i>Total Capital Assets being depreciated, net</i>	38,528,281	(474,733)	(7,401)	38,046,147
<i>Governmental Activities Capital Assets, Net</i>	\$ 38,656,078	\$ (474,733)	\$ (7,401)	\$ 38,173,944

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,032,248
Vocational	675
Support Services:	
Pupils	718
Instructional Staff	3,348
Administration	10,773
Fiscal	2,261
Operation and Maintenance of Plant	114,245
Pupil Transportation	49,692
Operation of Non-Instructional Services:	
Food Service Operations	34,454
Extracurricular Activities	61,002
Total Depreciation Expense	\$ 1,309,416

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2012 were as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Due Within One Year
<i>General Obligation Bonds:</i>					
2002 Classroom Facilities Bonds:					
Series Bonds -					
\$13,730,000 - 3.35%-5.125%	\$ 2,215,000	\$ 0	\$ (2,215,000)	\$ 0	\$ 0
Capital Appreciation Bonds -					
\$294,998 - 7.02%	294,998	0	(155,575)	139,423	139,423
Accretion on Capital					
Appreciation Bonds	502,228	63,217	(284,425)	281,020	281,020
2006 Classroom Facilities Bonds:					
Serial and Term Bonds -					
\$9,200,000 - 3.5%-4.35%	8,835,000	0	(85,000)	8,750,000	90,000
Capital Appreciation Bonds -					
\$64,993 - 4.15%-4.25%	64,993	0	0	64,993	0
Accretion on Capital					
Appreciation Bonds	237,308	105,806	0	343,114	0
Unamortized Premium	578,921	0	(30,469)	548,452	0
Refunding Loss	(429,972)	22,630	0	(407,342)	0
2012 Classroom Facilities Refunding Bonds:					
Serial and Term Bonds -					
\$2,065,000 - 2.00%-3.00%	0	2,065,000	0	2,065,000	0
Capital Appreciation Bonds -					
\$148,570 - 3.901%	0	148,570	0	148,570	0
Accretion on Capital					
Appreciation Bonds	0	2,421	0	2,421	0
<i>Total General Obligation Bonds</i>	<u>12,298,476</u>	<u>2,407,644</u>	<u>(2,770,469)</u>	<u>11,935,651</u>	<u>510,443</u>
Capital Leases	233,937	0	(41,787)	192,150	17,008
Compensated Absences	1,144,238	103,560	(224,955)	1,022,843	215,323
Total Governmental Activities					
Long-Term Obligations	<u>\$ 13,676,651</u>	<u>\$ 2,511,204</u>	<u>\$ (3,037,211)</u>	<u>\$ 13,150,644</u>	<u>\$ 742,774</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 was \$880,000. For fiscal year 2012, the accretion amount was \$63,217.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 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 2012 was \$30,469. 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 2012 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)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2012 accretion amount is \$105,806.

2012 Classroom Facilities Refunding General Obligation Bonds

On April 5, 2012, the School district issued \$2,213,570 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$148,570. The bonds advance refunded \$2,215,000 of outstanding 2002 School Facilities General Obligation Bonds. The bonds were issued for a eight year period with final maturity at December 1, 2019. At the date of refunding, \$2,278,125 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$2,215,000 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, 2012 was \$2,215,000. The advance refunding reduced cash flows required for debt service by \$222,669 over the next eight years and resulted in an economic gain of \$208,454.

The bonds were issued with a premium of \$115,189, which was reported as revenue when the bonds were issued. The bonds had issuance costs of \$49,044. The issuance costs were expensed when the bonds were issued.

The \$2,213,570 bond issuance consists of current interest and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 2.00 to 3.00 percent.

The capital appreciation bonds will mature December 1, 2019. 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 \$205,000. The fiscal year 2012 accretion amount is \$2,421.

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012 are as follows:

Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 90,000	\$ 418,115	\$ 139,423	\$ 300,577	\$ 229,423	\$ 718,692
2014	570,000	409,756	0	0	570,000	409,756
2015	485,000	398,280	7,359	87,641	492,359	485,921
2016	0	393,430	33,158	546,842	33,158	940,272
2017	0	393,430	24,476	555,524	24,476	948,954
2018-2022	2,975,000	1,722,528	0	0	2,975,000	1,722,528
2023-2027	3,920,000	1,026,701	0	0	3,920,000	1,026,701
2028-2030	2,775,000	184,548	148,570	56,430	2,923,570	240,978
Total	<u>\$ 10,815,000</u>	<u>\$ 4,946,788</u>	<u>\$ 352,986</u>	<u>\$ 1,547,014</u>	<u>\$ 11,167,986</u>	<u>\$ 6,493,802</u>

NOTE 10: CAPITALIZED LEASES

During fiscal year 2011, the School District entered into a lease agreement for a stadium lighting system. During fiscal year 2010, the School District entered into lease agreements for a bus and computers. All of 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 stadium lighting system has been capitalized in the governmental capital assets in the amount of \$208,257, which is the present value of the minimum lease payments at lease inception. A corresponding liability was recorded in the Statement of Net Assets and is reduced for each required principal payment. Principal payments in fiscal year 2012 totaled \$41,787 in the governmental funds.

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, 2012:

Year ending June 30,	
2013	\$ 27,746
2014	27,746
2015	27,746
2016	27,746
2017	27,746
2018-2021	<u>110,984</u>
	249,714
Less amount representing interest	<u>57,564</u>
Present value of minimum lease payments	<u>\$ 192,150</u>

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 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 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 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$280,790, \$283,153 and \$317,394, respectively; 43 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy - For fiscal year 2012, 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. 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 employer contributions. 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, 2012, 2011 and 2010 were \$974,249, \$1,110,628 and \$1,103,915, respectively; 81 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$35,608 made by the School District and \$25,434 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, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

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, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. 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. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

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 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$12,160, \$34,285, and \$11,424, respectively; 43 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,582, \$18,222, and \$18,875, respectively; 43 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, 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, 2012, 2011, and 2010 were \$74,942, \$85,433, and \$84,917, respectively; 81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13: INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at June 30, 2012 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 120,921	\$ 0
Other Governmental Funds:		
Permanent Improvement	0	90,000
Amazing Arts	0	82
Choir High School	0	268
Title I	0	11,222
Title VI-B	0	18,477
Title V	0	872
Total	\$ 120,921	\$ 120,921

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.

A \$200,000 prior year advance from the general fund to the food service fund was reclassified by the School District to long-term. The advance will be repaid over the next 5 years. This long-term advance is presented as Advances To/From Other Funds on the Balance Sheet.

At June 30, 2012, the athletic and the public school funds owed the general fund \$14,142 and \$3,089, respectively, for costs the general fund paid on-behalf of the funds.

B. Interfund Transfers

The general fund transferred \$44,255 to the permanent improvement fund to provide additional resources for current operations.

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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and 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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14: SET-ASIDES (Continued)

	Capital Acquisition
Set-Aside Restricted Balance as of June 30, 2011	\$ 0
Current Year Set-Aside Requirement	345,414
Current Year Offsets	(184,625)
Prior Year Offset from Bond Proceeds	(160,789)
Total	\$ 0
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ 0
Set-Aside Restricted Balance as of June 30, 2012	\$ 0

Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 15: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$5,000 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$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.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 15: RISK MANAGEMENT (Continued)

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.

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 2012, the School District's monthly premiums were \$1,310.30 for family coverage and \$539.39 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 2012, the School District's cost was \$168.96 for family coverage and \$68.48 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 \$40,000 and \$30,000 for classified and certified employees respectively, through the Stark County Schools Council of Governments Health Benefits Program.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Prepaid Items	\$ 336,153	\$ 0	\$ 0	\$ 336,153
Inventory	44,296	0	0	44,296
Long-term Advances	200,000	0	0	200,000
Total Nonspendable	<u>580,449</u>	<u>0</u>	<u>0</u>	<u>580,449</u>
Restricted for:				
Debt Service	0	754,183	0	754,183
Classroom Facilities Maintenance	0	0	488,377	488,377
Other Purposes	0	0	61,223	61,223
Total Restricted	<u>0</u>	<u>754,183</u>	<u>549,600</u>	<u>1,303,783</u>
Assigned for:				
Sequent Years Appropriations	5,000	0	0	5,000
Encumbrances:				
Instruction	500	0	0	500
Total Assigned	<u>5,500</u>	<u>0</u>	<u>0</u>	<u>5,500</u>
Unassigned	(591,050)	0	(236,386)	(827,436)
<i>Total Fund Balance (Deficit)</i>	<u>\$ (5,101)</u>	<u>\$ 754,183</u>	<u>\$ 313,214</u>	<u>\$ 1,062,296</u>

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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17: PUBLIC ENTITY RISK POOLS (Continued)

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.

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 \$349,770 to SPARCC during the fiscal year 2012. 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.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 19: CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

This page intentionally left blank.

MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$165,167		\$165,167	
National School Lunch Program	10.555	385,701		385,701	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$47,563		\$47,563
Total Child Nutrition Cluster		<u>550,868</u>	<u>47,563</u>	<u>550,868</u>	<u>47,563</u>
Total U.S. Department of Agriculture		<u>550,868</u>	<u>47,563</u>	<u>550,868</u>	<u>47,563</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	398,211		414,423	
ARRA Special Education Grants to States	84.391	30,000		29,940	
Total Special Education Cluster		<u>428,211</u>		<u>444,363</u>	
Title I, Grants to Local Educational Agencies	84.010	442,413		455,136	
Education Jobs Fund	84.410	536,165		536,165	
Improving Teacher Quality Grants	84.340	88,969		88,969	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	0		15,697	
ARRA Race to the Top	84.395	51,659		45,127	
Total U.S. Department of Education		<u>1,547,417</u>		<u>1,585,457</u>	
<u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>					
<i>Passed Through Ohio Environmental Protection Agency</i>					
ARRA - State Clean Diesel Grant Program	66.040	34,080		34,080	
Total U.S. Department of Environmental Protection Agency		<u>34,080</u>		<u>34,080</u>	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
<i>Passed Through Ohio DODD</i>					
Healthy Schools Initiative Grant	93.938	10,000		10,000	
Medical Assistance Program (CAFS)	93.778	65,764		0	
Total U.S. Department of Health and Human Services		<u>75,764</u>		<u>10,000</u>	
Totals		<u>\$2,208,129</u>	<u>\$47,563</u>	<u>\$2,180,405</u>	<u>\$47,563</u>

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

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D – MEDICAL ASSISTANCE PROGRAM (CAFS)

The District received \$65,764 for the Medical Assistance Program which relates to settlements for CAFS service provided during prior years.



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
406 East Street
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, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012. 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 opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Minerva Local School District
Stark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 14, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 14, 2012



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
406 East Street
Minerva, OH 44657

To the Board of Education:

Compliance

We have audited the compliance of Minerva Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Minerva Local School District's major federal programs for the year ended June 30, 2012. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these 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, 2012.

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 noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 14, 2012.

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



Dave Yost
Auditor of State

December 14, 2012

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2012**

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)?	No
(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; Education Jobs CFDA 84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code Section 2705.10 – The District had negative cash fund balances in several funds at year end.	No	Partially Corrected – Repeated as Management Letter Comment for current year.



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
JANUARY 24, 2013