

Minerva Local School District
Stark County, Ohio

Audited Financial Statements

June 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Education
Minerva Local School District
401 North Market Street
Minerva, Ohio 44657

We have reviewed the *Independent Auditor's Report* of the Minerva Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 8, 2009

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**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

JUNE 30, 2008

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**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

JUNE 30, 2008

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

November 28, 2008

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minerva Local School District (the "School District"), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated November 28, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

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

Minerva Local School District
Independent Auditor's Report
November 28, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of the Minerva Local School District's financial (the "School District") performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General Revenues accounted for \$16,370,198 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,838,882 or 19 percent of total revenues of \$20,209,080.
- Total program expenses were \$19,624,062.
- In total, net assets increased \$585,018, primarily due to a increase in grant revenue.
- Outstanding bond and note debt decreased from \$13,264,628 to \$12,979,317 through principal payments.

Using this Annual Report

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

A question typically asked about the School District's finances "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and classroom facilities fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

The governmental fund financial statements begin on page 13.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Fiduciary Funds – The School District’s only fiduciary fund is for student managed activities. The School District’s fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District’s other financial statements because the assets cannot be used by the School District to finance operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Current and Other Assets	\$ 27,773,349	\$ 35,471,142
Capital Assets	25,185,494	15,141,365
Total Assets	52,958,843	50,612,507
Liabilities		
Long-Term Liabilities	14,249,120	14,692,236
Other Liabilities	10,688,512	8,484,078
Total Liabilities	24,937,632	23,176,314
Net Assets		
Invested in Capital		
Assets Net of Debt	12,542,846	2,121,972
Restricted	18,746,541	28,869,328
Unrestricted (Deficit)	(3,268,176)	(3,555,107)
Total Net Assets	\$ 28,021,211	\$ 27,436,193

Total assets increased by \$2,346,336. This was primarily due to an increase in construction in progress. An increase of \$10,044,129 in total capital assets reflects additional purchases exceeding depreciation. Total liabilities increased by \$1,761,318. This increase was largely due to an increase in contracts payable related to construction in progress.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal year 2008. This table presents two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Governmental Activities

	Governmental Activities	Governmental Activities
	2008	2007
<i>Revenues</i>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,371,044	\$ 1,427,174
Operating Grants	2,353,266	2,246,905
Capital Grants	114,572	17,820
<i>General Revenue:</i>		
Property Taxes	6,599,020	5,995,975
Grants and Entitlements	9,348,016	9,255,093
Other	423,162	212,152
<i>Total Revenues</i>	20,209,080	19,155,119
<i>Program Expenses</i>		
Instruction	11,225,046	11,142,216
Support Services	6,278,750	6,154,595
Operation of Non-Instructional	897,642	812,869
Extracurricular Activities	578,628	626,227
Intergovernmental	12,071	0
Interest and Fiscal Charges	631,925	614,412
<i>Total Expenses</i>	19,624,062	19,350,319
Increase (Decrease) in Net Assets	\$ 585,018	\$ (195,200)

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. General revenues, including tax revenue, investment earnings, and unrestricted state entitlements, support the net cost of program services.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

(Table 3)
Governmental Activities

	Total Cost of Service 2008	Total Cost of Service 2007	Net Cost of Service 2008	Net Cost of Service 2007
Instruction	\$ 11,225,046	\$ 11,142,216	\$ (8,730,711)	\$ (8,715,126)
Support Services:				
Pupil and Instructional Staff	1,844,701	1,758,710	(1,783,441)	(1,687,744)
Board of Education, Administration, Fiscal and Business	2,160,530	2,013,243	(2,148,229)	(2,006,186)
Operation and Maintenance of Plant	1,121,644	1,256,227	(1,045,725)	(1,206,212)
Pupil Transportation	1,030,809	1,084,874	(936,237)	(1,067,054)
Central	121,066	41,541	(121,066)	(39,541)
Operation of Non-Instructional	897,642	812,869	(59,353)	14,036
Extracurricular Activities	578,628	626,227	(316,422)	(336,181)
Intergovernmental	12,071	0	(12,071)	0
Interest and Fiscal Charges	631,925	614,412	(631,925)	(614,412)
Total Expenses	<u>\$ 19,624,062</u>	<u>\$ 19,350,319</u>	<u>\$ (15,785,180)</u>	<u>\$ (15,658,420)</u>

Instruction and student support services comprise 66.6 percent of governmental program expenses. Interest and fiscal charges were 3.2 percent. Interest expense was attributable to the outstanding bonds and lease payments. Pupil transportation and the operation and maintenance of facilities accounts for 10.9 percent of governmental program expenses.

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

The School District's Funds

Information about the School District's governmental funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$35,915,954 and expenditures of \$30,103,562. The net change in fund balance for the fiscal year was an increase of \$5,812,392.

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 2008, the School District amended its general fund budget two 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

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

For the general fund, budget basis revenue (exclusive of other financing sources) was \$16,254,505, lower than the original budget estimate of \$16,374,624. Of this \$123,647 decrease, most was attributable to a decrease in intergovernmental revenue.

Final appropriations of \$16,268,084 (exclusive of other financing uses) were \$94,304 higher than the \$16,173,780 in the original budget. Actual expenditures and revenues were in line with the final budgets.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$25,185,494 invested in land, buildings and improvements, furniture, equipment and vehicles. Table 4 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities	
	2008	2007
Land	\$ 127,797	\$ 127,797
Buildings and Improvements	12,306,619	12,720,701
Furniture and Equipment	307,545	533,621
Vehicles	258,483	262,194
Construction in Progress	12,185,050	1,497,052
Totals	\$ 25,185,494	\$ 15,141,365

The \$10,044,129 increase in capital assets was attributable to additional costs of construction in progress exceeding depreciation. See Note 8 for additional information on capital assets.

Senate Bill 345 requires school districts to set aside \$162.09 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and instructional materials and the other for capital improvements (see Note 13). For fiscal year 2008, this amounted to \$325,076 for each set aside. The School District's qualifying disbursements or offsets did not exceed these requirements plus prior year carryover for textbooks. The set aside amount for textbooks is \$102,430. The School District also had qualifying expenditures during the year that reduced the capital acquisition set-aside amount below zero. This amount may be used to reduce the set-aside requirements for future years.

Debt

At June 30, 2008, the School District had \$12,979,317 in bonds and notes outstanding with \$392,652 due within one year. Table 5 summarizes bonds outstanding.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2008	Governmental Activities 2007
Energy Notes	\$ 13,664	\$ 31,173
Note Payable	3,988	13,223
General Obligation Bonds:		
Various Series Bonds	12,265,000	12,615,000
Various Capital Appreciation Bonds	359,991	359,991
Accretion on Capital Appreciation Bonds	336,674	245,241
Total General Obligation Bonds	12,961,665	13,220,232
Totals	\$ 12,979,317	\$ 13,264,628

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

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

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

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

See Note 9 for additional information on debt.

Current Issues

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

The School District will receive \$28,597,499 in state funds to be used to build a new elementary school and to perform additions and renovations to the high school. Construction on these buildings began during the summer of 2006. It is anticipated that construction will be complete on the high school and elementary buildings in May and August of 2009, respectively.

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

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 33 percent of revenues for governmental activities for the Minerva Local School District in fiscal year 2008.

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

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

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

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

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

Contacting the School District's Financial Management

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

MINERVA LOCAL SCHOOL DISTRICT*Statement of Net Assets**June 30, 2008*

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 14,030,257
Receivables:	
Taxes	6,370,132
Accounts	76,565
Intergovernmental	7,052,235
Prepaid Items	34,200
Inventory Held For Resale	18,815
Materials and Supplies	18,682
Deferred Charges	172,463
Nondepreciable Capital Assets	12,312,847
Depreciable Capital Assets (Net)	<u>12,872,647</u>
 <i>Total Assets</i>	 <u>52,958,843</u>
 Liabilities	
Accounts Payable	77,464
Contracts Payable	2,154,126
Retainage Payable	459,310
Accrued Wages and Benefits	1,648,602
Accrued Interest	45,343
Intergovernmental Payable	595,448
Matured Compensated Absences Payable	203,993
Deferred Revenue	5,436,726
Early Retirement Incentive Payable	67,500
Long-Term Liabilities:	
Due Within One Year	396,552
Due Within More Than One Year	<u>13,852,568</u>
 <i>Total Liabilities</i>	 <u>24,937,632</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	12,542,846
Restricted for:	
Capital Projects	17,787,135
Debt Service	531,719
Other Purposes	325,257
Set Asides	102,430
Unrestricted	<u>(3,268,176)</u>
 <i>Total Net Assets</i>	 <u>\$ 28,021,211</u>

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

MINERVA LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 9,103,032	\$ 787,301	\$ 176,288	\$ 0	\$ (8,139,443)
Special	2,109,327	0	1,522,781	0	(586,546)
Vocational	8,062	0	7,965	0	(97)
Adult/Continuing	4,625	0	0	0	(4,625)
Support Services:					
Pupils	964,933	0	35,940	0	(928,993)
Instructional Staff	879,768	0	25,320	0	(854,448)
Board of Education	99,271	0	0	0	(99,271)
Administration	1,495,926	0	12,301	0	(1,483,625)
Fiscal	489,252	0	0	0	(489,252)
Business	76,081	0	0	0	(76,081)
Operation and Maintenance of Plant	1,121,644	0	55,919	20,000	(1,045,725)
Pupil Transportation	1,030,809	0	0	94,572	(936,237)
Central	121,066	0	0	0	(121,066)
Operation of Non-Instructional Services:					
Food Service	855,063	300,350	466,435	0	(88,278)
Community Services	42,579	25,354	46,150	0	28,925
Extracurricular Activities	578,628	258,039	4,167	0	(316,422)
Intergovernmental	12,071	0	0	0	(12,071)
Interest and Fiscal Charges	631,925	0	0	0	(631,925)
<i>Total Governmental Activities</i>	<u>\$ 19,624,062</u>	<u>\$ 1,371,044</u>	<u>\$ 2,353,266</u>	<u>\$ 114,572</u>	<u>(15,785,180)</u>

General Revenues

Property Taxes Levied for:

General Purposes	5,660,516
Debt Service	846,289
Capital Projects	92,215
Grants and Entitlements not Restricted to Specific Programs	9,348,016
Investment Earnings	318,897
Miscellaneous	104,265

Total General Revenues 16,370,198

Change in Net Assets 585,018

Net Assets Beginning of Year 27,436,193

Net Assets End of Year \$ 28,021,211

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

MINERVA LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 13,285,919	\$ 725,535	\$ 14,011,454
Restricted Cash and Cash Equivalents	18,803	0	0	18,803
Receivables:				
Taxes	5,442,544	0	927,588	6,370,132
Accounts	8,264	65,083	3,218	76,565
Interfund	872	0	350	1,222
Intergovernmental	0	7,026,240	25,995	7,052,235
Prepaid Items	10,871	23,329	0	34,200
Inventory Held For Resale	0	0	18,815	18,815
Materials and Supplies	18,682	0	0	18,682
<i>Total Assets</i>	<u>\$ 5,500,036</u>	<u>\$ 20,400,571</u>	<u>\$ 1,701,501</u>	<u>\$ 27,602,108</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 70,072	\$ 0	\$ 7,392	\$ 77,464
Contracts Payable	0	2,154,126	0	2,154,126
Retainage Payable	0	459,310	0	459,310
Accrued Wages and Benefits	1,535,931	0	112,671	1,648,602
Interfund Payable	0	0	1,222	1,222
Intergovernmental Payable	475,439	0	120,009	595,448
Matured Compensated Absences Payable	203,993	0	0	203,993
Deferred Revenue	4,902,706	7,026,240	854,672	12,783,618
Early Retirement Incentive Payable	67,500	0	0	67,500
<i>Total Liabilities</i>	7,255,641	9,639,676	1,095,966	17,991,283
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	3,127	6,966,435	1,092	6,970,654
Reserved for Prepaids	10,871	23,329	0	34,200
Reserved for Property Taxes	539,838	0	91,791	631,629
Reserved for Textbooks and Instructional Materials	102,430	0	0	102,430
Unreserved, Undesignated Reported in:				
General Fund	(2,411,871)	0	0	(2,411,871)
Special Revenue Funds	0	0	58,486	58,486
Debt Service Fund	0	0	454,166	454,166
Capital Projects Funds	0	3,771,131	0	3,771,131
<i>Total Fund Balances</i>	<u>(1,755,605)</u>	<u>10,760,895</u>	<u>605,535</u>	<u>9,610,825</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,500,036</u>	<u>\$ 20,400,571</u>	<u>\$ 1,701,501</u>	<u>\$ 27,602,108</u>

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

MINERVA LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances		\$ 9,610,825
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		25,185,494
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 7,045,115	
Delinquent Property Taxes	<u>301,777</u>	7,346,892
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the bonds on a full accrual basis.		
Issuance Costs	188,141	
Accumulated Amortization	<u>(15,678)</u>	172,463
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(45,343)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Notes	(13,664)	
Note Payable	(3,988)	
General Obligation Bonds	(12,265,000)	
Capital Appreciation Bonds	(359,991)	
Unamortized Bond Premium	(670,330)	
Bond Accretion	(336,674)	
Bond Refunding Loss	497,862	
Compensated Absences	<u>(1,097,335)</u>	<u>(14,249,120)</u>
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$ 28,021,211</u></u>

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

MINERVA LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 5,677,449	\$ 0	\$ 940,190	\$ 6,617,639
Intergovernmental	10,011,258	15,703,255	1,729,533	27,444,046
Investment Income	38,604	278,951	1,342	318,897
Tuition and Fees	780,042	0	7,259	787,301
Extracurricular Activities	0	0	258,039	258,039
Gifts and Donations	750	20,000	39,313	60,063
Rentals	25,354	0	0	25,354
Charges for Services	0	0	300,350	300,350
Miscellaneous	31,087	72,778	400	104,265
<i>Total Revenues</i>	<u>16,564,544</u>	<u>16,074,984</u>	<u>3,276,426</u>	<u>35,915,954</u>
Expenditures				
Current:				
Instruction:				
Regular	8,399,857	0	253,524	8,653,381
Special	1,281,495	0	830,719	2,112,214
Vocational	8,062	0	0	8,062
Adult/Continuing	4,625	0	0	4,625
Support Services:				
Pupils	928,161	0	50,618	978,779
Instructional Staff	836,770	0	41,596	878,366
Board of Education	99,271	0	0	99,271
Administration	1,469,854	0	25,573	1,495,427
Fiscal	455,358	140	24,283	479,781
Business	101,652	0	0	101,652
Operation and Maintenance of Plant	1,119,939	0	14,680	1,134,619
Pupil Transportation	1,089,551	0	14,418	1,103,969
Central	40,617	0	0	40,617
Operation of Non-Instructional Services:				
Food Services	0	0	837,131	837,131
Community Services	2,008	0	40,571	42,579
Extracurricular Activities	330,305	0	196,000	526,305
Intergovernmental	12,071	0	0	12,071
Capital Outlay	300	10,677,082	0	10,677,382
Debt Service:				
Principal Retirement	9,232	0	367,512	376,744
Interest and Fiscal Charges	485	0	540,102	540,587
<i>Total Expenditures</i>	<u>16,189,613</u>	<u>10,677,222</u>	<u>3,236,727</u>	<u>30,103,562</u>
<i>Excess of Revenues Over Expenditures</i>	<u>374,931</u>	<u>5,397,762</u>	<u>39,699</u>	<u>5,812,392</u>
<i>Net Change in Fund Balance</i>	374,931	5,397,762	39,699	5,812,392
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(2,130,536)</u>	<u>5,363,133</u>	<u>565,836</u>	<u>3,798,433</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ (1,755,605)</u>	<u>\$ 10,760,895</u>	<u>\$ 605,535</u>	<u>\$ 9,610,825</u>

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

MINERVA LOCAL SCHOOL DISTRICT

Reconciliation of the Changes

in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 5,812,392

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$ 10,776,697	
Current Year Depreciation	<u>(732,568)</u>	10,044,129

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

Grants	(15,688,255)	
Delinquent Property Taxes	<u>(18,619)</u>	(15,706,874)

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

Energy Conservation Notes	17,509	
Note Payable	9,235	
General Obligation Bonds	<u>350,000</u>	376,744

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	94	
Accretion on Capital Appreciation Bonds	(91,433)	
Refunding Loss Amortization	(22,630)	
Bond Premium Amortization	<u>30,470</u>	(83,499)

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

(7,839)

Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>149,965</u>
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Change in Net Assets of Governmental Activities

\$ 585,018

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

MINERVA LOCAL SCHOOL DISTRICT
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 5,266,992	\$ 5,371,460	\$ 5,371,460	\$ 0
Intergovernmental	10,152,475	10,011,258	10,011,258	0
Investment Income	49,000	37,530	38,604	1,074
Tuition and Fees	810,357	780,881	780,881	0
Rentals	14,000	21,933	21,932	(1)
Gifts and Donations	8,000	750	750	0
Miscellaneous	73,800	27,165	29,620	2,455
<i>Total Revenues</i>	16,374,624	16,250,977	16,254,505	3,528
Expenditures				
Current:				
Instruction:				
Regular	8,432,776	8,364,341	8,364,335	6
Special	1,214,611	1,295,675	1,295,675	0
Vocational	7,626	7,966	7,966	0
Adult/Continuing	4,597	4,588	4,588	0
Support Services:				
Pupils	971,765	931,239	931,238	1
Instructional Staff	831,813	854,140	854,140	0
Board of Education	45,685	104,832	104,832	0
Administration	1,454,616	1,488,288	1,488,288	0
Fiscal	475,545	512,402	512,402	0
Business	78,085	97,943	97,943	0
Operation and Maintenance of Plant	1,134,115	1,109,496	1,109,495	1
Pupil Transportation	1,048,535	1,094,464	1,094,464	0
Central	40,457	40,411	40,411	0
Operation of Non-Instructional Services:				
Community Services	1,500	2,008	2,008	0
Extracurricular Activities	357,454	338,203	338,203	0
Intergovernmental	20,000	12,071	12,071	0
Capital Outlay	0	300	300	0
Debt Service:				
Principal Retirement	49,000	9,232	9,232	0
Interest and Fiscal Charges	5,600	485	485	0
<i>Total Expenditures</i>	16,173,780	16,268,084	16,268,076	8
Excess of Revenues Over (Under) Expenditures	200,844	(17,107)	(13,571)	3,536
Other Financing Sources (Uses)				
Advances In	17,820	19,613	19,613	0
Advances Out	(17,820)	(18,692)	(18,692)	0
<i>Total Other Financing Sources (Uses)</i>	0	921	921	0
<i>Net Change in Fund Balance</i>	200,844	(16,186)	(12,650)	3,536
<i>Fund Balance Beginning of Year</i>	2,139	2,139	2,139	0
Prior Year Encumbrances Appropriated	16,504	16,504	16,504	0
<i>Fund Balance End of Year</i>	\$ 219,487	\$ 2,457	\$ 5,993	\$ 3,536

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

MINERVA LOCAL SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 64,849
Liabilities	
Accounts Payable	\$ 920
Due to Students	<u>63,929</u>
<i>Total Liabilities</i>	<u>\$ 64,849</u>

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

The Minerva Local School District (School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of October 1, 2007, was 2,087. The School District employs 154 certificated and 100 non-certificated employees.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is involved with Stark Portage Area Computer Consortium (SPARCC) and Stark County Joint Vocational School, which are defined as jointly governed organizations. The School District is also involved with the Stark County Schools Council of Governments Health Benefits Program and the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 16 and 17.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

B. Fund Accounting

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

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

E. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to STAROhio (State Treasury Asset Reserve of Ohio), repurchase agreements, and certificates of deposit.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$38,604, with the entire amount 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, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional materials. See Note 13 for additional information regarding set asides.

I. Deferred Charges

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

J. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Balances

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

L. Compensated Absences

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

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Bond Premiums

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

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

P. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, prepaids, property taxes, and textbooks and instructional materials.

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

Q. Interfund Activity

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

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

S. Estimates

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

T. Budgetary Data

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

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

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

U. Changes in Accounting Principles

For the year ended 2008, the School District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27."

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*", and GASB Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers*", to conform with requirements of GASB Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", and GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*".

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

NOTE 3: ACCOUNTABILITY

A. Accountability

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 1,755,605
Non-Major Funds:	
Idea Part B	100,457
Food Service	149,424
Title I	20,707
EMIS	387
Title V	872
Safe and Drug Free	56
Title II-A	19,458

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$ 374,931
Net Adjustment for Revenue Accruals	515,077
Advances In	19,613
Net Adjustment for Expenditure Accruals	(890,769)
Advances Out	(18,692)
Adjustment for Encumbrances	(12,810)
Budget Basis	\$ (12,650)

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, 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 \$4,978,153. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$884,284 of the School District's bank balance of \$5,041,873 was exposed to custodial risk as discussed above, while \$4,157,589 was covered by Federal Deposit Insurance Corporation.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2008, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
STAROhio	\$ 7,643,217	\$ 7,643,217
Repurchase Agreements	<u>1,473,736</u>	<u>1,473,736</u>
Totals	<u>\$ 9,116,953</u>	<u>\$ 9,116,953</u>

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

Credit Risk Standard & Poor's has assigned STAROhio an AAA rating. The repurchase agreements are unrated.

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, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$ 7,643,217	83.84%
Repurchase Agreements	<u>1,473,736</u>	<u>16.16%</u>
Total Investments	<u>\$ 9,116,953</u>	<u>100%</u>

NOTE 6: RECEIVABLES

Receivables at June 30, 2008 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 except for the Ohio School Facilities Commission grant.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 7: PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

The School District receives property taxes from Carroll, Columbiana and Stark Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 7: PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, 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, 2008 was \$539,838 in the general fund, \$83,163 in the bond retirement debt service fund and \$8,628 in the maintenance special revenue fund. The amount available as an advance at June 30, 2007, was \$233,849 in the general fund and \$34,868 in the bond retirement debt service fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 149,644,990	74%	\$ 156,426,960	76%
Commercial/Industrial/ Public Utility/Minerals	28,665,060	14%	30,092,600	15%
Tangible Personal Property	24,065,052	12%	18,159,115	9%
Total Assessed Value	\$ 202,375,102	100%	\$ 204,678,675	100%
Tax Rate per \$1,000 of Assessed Value:				
Columbiana and Stark Counties	\$ 44.00		\$ 44.00	
Carroll County	\$ 43.50		\$ 44.60	

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Reductions	Balance 6/30/2008
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 127,797	\$ 0	\$ 0	\$ 127,797
Construction in Progress	1,497,052	10,687,998	0	12,185,050
<i>Total Capital Assets, not being depreciated</i>	1,624,849	10,687,998	0	12,312,847
 <i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	18,160,210	14,955	0	18,175,165
Furniture and Equipment	3,990,955	0	0	3,990,955
Vehicles	1,279,383	73,744	(32,523)	1,320,604
<i>Total Capital Assets, being depreciated</i>	23,430,548	88,699	(32,523)	23,486,724
 <i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(5,439,509)	(429,037)	0	(5,868,546)
Furniture and Equipment	(3,457,334)	(226,076)	0	(3,683,410)
Vehicles	(1,017,189)	(77,455)	32,523	(1,062,121)
<i>Total Accumulated Depreciation</i>	(9,914,032)	(732,568) *	32,523	(10,614,077)
 <i>Total Capital Assets being depreciated, net</i>	13,516,516	(643,869)	0	12,872,647
 <i>Governmental Activities Capital Assets, Net</i>	\$ 15,141,365	\$ 10,044,129	\$ 0	\$ 25,185,494

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 572,457
Support Services:	
Administration	5,926
Fiscal	5,807
Operation and Maintenance of Plant	3,444
Pupil Transportation	80,449
Operation of Non-Instructional Services:	
Food Service Operations	12,162
Extracurricular Activities	52,323
Total Depreciation Expense	\$ 732,568

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 9: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2008 were as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
<i>Energy Conservation Notes:</i>					
1997 - 6.00% interest rate, matured August 2007	\$ 4,525	\$ 0	\$ (4,525)	\$ 0	\$ 0
1999 - 5.25% interest rate, maturing June 2009	<u>26,648</u>	<u>0</u>	<u>(12,984)</u>	<u>13,664</u>	<u>13,664</u>
<i>Total Energy Conservation Notes</i>	31,173	0	(17,509)	13,664	13,664
2006 Ford Van Note Payable - \$18,336, 5.45% interest rate, maturing November 2008	13,223	0	(9,235)	3,988	3,988
<i>General Obligation Bonds:</i>					
2002 Classroom Facilities Bonds:					
Series Bonds -					
\$13,730,000 - 3.35%-5.125%	3,465,000	0	(275,000)	3,190,000	300,000
Capital Appreciation Bonds - \$294,998 - 7.02%	294,998	0	0	294,998	0
Accretion on Capital Appreciation Bonds	219,211	59,580	0	278,791	0
2006 Classroom Facilities Bonds:					
Serial and Term Bonds -					
\$9,200,000 - 3.5%-4.35%	9,150,000	0	(75,000)	9,075,000	75,000
Capital Appreciation Bonds - \$64,993 - 4.15%-4.25%	64,993	0	0	64,993	0
Accretion on Capital Appreciation Bonds	26,030	31,853	0	57,883	0
Unamortized Premium	700,800	0	(30,470)	670,330	0
Refunding Loss	<u>(520,492)</u>	<u>0</u>	<u>22,630</u>	<u>(497,862)</u>	<u>0</u>
<i>Total General Obligation Bonds</i>	13,400,540	91,433	(357,840)	13,134,133	375,000
Compensated Absences	<u>1,247,300</u>	<u>0</u>	<u>(149,965)</u>	<u>1,097,335</u>	<u>3,900</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 14,692,236</u>	<u>\$ 91,433</u>	<u>\$ (534,549)</u>	<u>\$ 14,249,120</u>	<u>\$ 396,552</u>

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

On November 10, 2006, Minerva Local School District borrowed \$18,336 from Consumers National Bank for the purchase of a 2006 Ford Van.

2002 School Improvement Bonds

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

The capital appreciation bonds mature December 1, 2011 through December 1, 2012. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$880,000. For fiscal year 2008, the accretion amount was \$59,580.

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, 2008 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 2008 was \$30,470. The issuance costs of \$188,141 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$7,839.

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

The capital appreciation bonds will mature December 1, 2014 through 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,255,000. The fiscal year 2008 accretion amount is \$31,853.

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 energy conservation notes and general obligation bonds will be paid from property tax revenues of the bond retirement debt service fund. The Ford van note payments 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)
JUNE 30, 2008

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2008 are as follows:

Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 375,000	\$ 525,532	\$ 0	\$ 0	\$ 3,988	\$ 54
2010	405,000	510,327	0	0	0	0
2011	435,000	493,235	0	0	0	0
2012	85,000	482,610	155,575	284,425	0	0
2013	90,000	479,283	139,423	300,578	0	0
2014-2018	1,575,000	2,172,262	64,993	1,190,006	0	0
2019-2023	3,325,000	1,630,154	0	0	0	0
2024-2028	4,085,000	859,059	0	0	0	0
2029-2030	1,890,000	83,084	0	0	0	0
Total	<u>\$ 12,265,000</u>	<u>\$ 7,235,546</u>	<u>\$ 359,991</u>	<u>\$ 1,775,009</u>	<u>\$ 3,988</u>	<u>\$ 54</u>

Year Ending	Energy Notes		Total	
	Principal	Interest	Principal	Interest
2009	\$ 13,664	\$ 371	\$ 392,652	\$ 525,957
2010	0	0	405,000	510,327
2011	0	0	435,000	493,235
2012	0	0	240,575	767,035
2013	0	0	229,423	779,861
2014-2018	0	0	1,639,993	3,362,268
2019-2023	0	0	3,325,000	1,630,154
2024-2028	0	0	4,085,000	859,059
2029-2030	0	0	1,890,000	83,084
Total	<u>\$ 13,664</u>	<u>\$ 371</u>	<u>\$ 12,642,643</u>	<u>\$ 9,010,980</u>

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost sharing multiple-employer defined benefit pension 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 includes financial statements and required supplementary information. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by 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.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,162,704, \$1,229,472 and \$1,202,088, respectively; 83.2 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. \$194,380, representing the unpaid contribution for fiscal year 2008, is recorded as a liability within the respective funds.

B. School Employees Retirement System

Minerva Local School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, 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) 878-5833. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$331,356, \$333,312 and \$346,860, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

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, 2008, all but one member of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11: POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio ("STRS Ohio"), and to retired non-certified employees and their dependents through the School Employees Retirement System ("SERS"). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for June 30, 2008, 2007 and 2006 were \$83,050, \$87,819 and \$85,863, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007 (the latest information available), net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The School District's contributions for the year ended June 30, 2008 were \$16,094, which equaled the required contribution for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$111,170, \$114,014 and \$117,476, respectively.

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. Statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

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. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The 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 Forms and Publications.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 12: INTERFUND TRANSACTIONS

A. Interfund Balances

Interfund balances at June 30, 2008 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 872	\$ 0
Other Governmental Funds:		
Public School Support	350	0
Amazing Arts	0	82
Choir High School	0	268
Title V	0	872
Totals	\$ 1,222	\$ 1,222

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.

NOTE 13: SET-ASIDES

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 13: SET-ASIDES (Continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-Aside Reserve Balance as of June 30, 2007	\$ 148,669	\$ 0	\$ 148,669
Current Year Set-Aside Requirement	325,076	325,076	650,152
Current Year Qualifying Disbursements	(371,315)	(96,835)	(468,150)
Balance Carried Forward from Prior Year	<u>0</u>	<u>(13,455,202)</u>	<u>(13,455,202)</u>
 Total	 <u>\$ 102,430</u>	 <u>\$ (13,226,961)</u>	 <u>\$ (13,124,531)</u>
 Set-Aside Balance Carried Forward to Future Fiscal Years	 <u>\$ 102,430</u>	 <u>\$ (13,226,961)</u>	
 Set-Aside Reserve Balance as of June 30, 2008	 <u>\$ 102,430</u>	 <u>\$ 0</u>	

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

The School District did not have enough qualifying disbursements to exceed the requirements for textbooks and other instructional materials and is required to establish a fund balance reserve of \$102,430. This amount should also be reported as restricted cash and cash equivalents in the general fund. However, the School District did not have sufficient cash balance in the general fund at year end to cover the reserve. Therefore, only \$18,803 is reported as restricted cash and cash equivalents.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 14: CONTRACTUAL COMMITMENTS

As of June 30, 2008, the School District had contractual commitments for construction of a new middle school and the renovation of the high school.

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance June 30, 2008</u>
Alex Roofing Construction Co.	\$ 670,371	\$ 163,234	\$ 833,605
Black Box Network Services	490,884	0	490,884
Continental Office Furniture	255,634	0	255,634
Jeffrey Carr Construction	4,777,730	1,184,890	5,962,620
Feinman Mechanical Inc.	3,398,181	1,530,938	4,929,119
Black Box Network Services	490,884	0	490,884
Fire Foe Corporation	419,688	110,538	530,226
GCS Industrial Services Ltd.	145,278	85,339	230,617
GMR Builders Inc.	1,834,027	608,550	2,442,577
Knoch Corporation	3,302,569	1,642,162	4,944,731
Lawrence & Dykes Architects	1,556,189	1,297,766	2,853,955
Microman Inc.	310,988	0	310,988
Sound Com Corporation	252,100	4,478	256,578
Southeast Security Corp.	189,750	0	189,750
Standard Plumbing and Heating Co.	1,820,384	504,106	2,324,490
Stanley Security Solutions	42,000	0	42,000
T&F Systems Inc.	556,910	154,870	711,780
Trimark SS Kemp	495,887	60,986	556,873
US Comm	393,183	0	393,183
Wood Electric Inc.	<u>2,269,973</u>	<u>1,131,748</u>	<u>3,401,721</u>
Total	<u>\$ 23,672,610</u>	<u>\$ 8,479,605</u>	<u>\$ 32,152,215</u>

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

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 \$38,428,753. The School District's vehicle insurance policy limit is \$1,000,000 with a \$500 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally the School District carries a \$5,000,000 blanket umbrella policy. The limits of this of this coverage are \$5,000,000 per occurrence and \$5,000,000 in aggregate. Claims have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

The Board President and Superintendent are covered under surety bonds in the amount of \$25,000. The Treasurer is covered under a surety bond in the amount of \$75,000. In addition, other school employees who are responsible for handling funds are covered under bonds of \$2,000 each.

C. Workers' Compensation

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

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

D. Employee Health Insurance

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 15: RISK MANAGEMENT (Continued)

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2008, the School District's monthly premiums were \$1,035.08 for family coverage and \$426.09 for single coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2008, the School District's cost was \$133.47 for family coverage and \$54.10 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

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

NOTE 16: PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

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

B. Insurance Purchasing Pool

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

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

A. Stark Portage Area Computer Consortium

Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$106,883 to SPARCC during the fiscal year 2008. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38th Street NW, Canton, OH 44709-2300.

B. Stark County Joint Vocational School

The Stark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Stark County Joint Vocational School, 6805 Richville Drive, S.W., Massillon, Ohio 44646.

NOTE 18: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

NOTE 19: SIGNIFICANT SUBSEQUENT EVENTS

The School District entered into \$275,000 and \$289,600 construction contracts on September 25, 2008 and July 25, 2008, respectively, for high school renovations and construction of a new elementary school.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

November 28, 2008

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Local School District (the "School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Minerva Local School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
November 28, 2008
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 28, 2008.

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

Hea & Associates, Inc.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

November 28, 2008

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Minerva Local School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

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

Hea & Associates, Inc.

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION (Passed through Ohio Department of Education)						
Title 1, Part A, ESEA						
Elementary and Secondary Education Act	84.010	C1S1 - 2007	\$ 80,939		\$ 38,714	
		C1S1 - 2008	<u>276,858</u>		<u>273,737</u>	
Total Title 1, Part A, ESEA			357,797		312,451	
Special Education Grants to States	84.027	6BSF - 2007	123,517		65,792	
		6BSF - 2008	<u>520,809</u>		<u>520,809</u>	
Total Special Education Grants to States			644,326		586,601	
Innovative Education Program Strategies	84.298	C2S1 - 2007	8,416		3,501	
		C2S1 - 2008	<u>2,188</u>		<u>3,060</u>	
Total Innovative Education Program Strategies			10,604		6,561	
Technology Literacy Challenge Grant	84.318	TJS1 - 2008	938		938	
Title II-A Improving Teacher Quality	84.367	TRS1 - 2007	23,361		23,272	
		TRS1 - 2008	<u>100,744</u>		<u>100,744</u>	
Total Title II-A Grant			124,105		124,016	
Safe, Drug-Free Schools & Communities Act Grant	84.186	DRS1 - 2007	4,972		188	
		DRS1 - 2008	<u>8,127</u>		<u>8,127</u>	
Total Safe, Drug-Free Schools & Communities Act Grant			13,099		8,315	
Total U. S. Department of Education			<u>1,150,869</u>		<u>1,038,882</u>	
U. S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Nutrition Cluster:						
National School Breakfast Program	10.553	05PU - 2008	153,723		153,723	
National School Lunch Program	10.555	LLP4 - 2008	323,651	\$ 37,944	323,651	\$ 37,944
Total Nutrition Cluster			<u>477,374</u>	<u>37,944</u>	<u>477,374</u>	<u>37,944</u>
Total US Department of Agriculture			<u>477,374</u>	<u>37,944</u>	<u>477,374</u>	<u>37,944</u>
Total Federal Financial Assistance			<u>\$ 1,628,243</u>	<u>\$ 37,944</u>	<u>\$ 1,516,256</u>	<u>\$ 37,944</u>

See accompanying notes to the schedule of expenditures of federal awards

MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B: NUTRITION CLUSTER

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

Food Distribution Program nonmonetary assistance is part of the Nutrition Cluster. It is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed and reported in the program to which they relate. At June 30, 2008, the School District had no significant food commodities inventory.

MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Grants to States	CFDA # 84.027
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	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



Mary Taylor, CPA
Auditor of State

MINERVA LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2009**