



Dave Yost • Auditor of State

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Local School District, Stark County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

November 30, 2011

Minerva Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of the Minerva Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- General revenues accounted for \$17,665,813 in revenue or 80.7 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$4,228,947 or 19.3 percent of total revenues of \$21,894,760.
- Total program expenses were \$20,609,403.
- In total, net assets increased \$1,285,357, primarily due to increases in tax revenue and decreases in program expenses.
- Outstanding bond debt decreased from \$12,423,377 to \$12,149,527 through principal payments.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

A question typically asked about the School District's finances "How did we do financially during fiscal year 2011?" 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, 2011
(Unaudited)

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

In the Statement of Net Assets and the Statement of Activities, 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 bond retirement fund.

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

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 bond retirement 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, 2011
(Unaudited)

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities	
	Restated	
	2011	2010
Assets		
Current and Other Assets	\$ 9,887,679	\$ 8,658,190
Capital Assets	38,656,078	39,631,950
Total Assets	48,543,757	48,290,140
Liabilities		
Long-Term Liabilities	13,676,651	13,816,374
Other Liabilities	7,057,270	7,949,287
Total Liabilities	20,733,921	21,765,661
Net Assets		
Invested in Capital Assets Net of Debt	27,012,146	27,736,577
Restricted	2,354,788	1,798,145
Unrestricted (Deficit)	(1,557,098)	(3,010,243)
Total Net Assets	\$ 27,809,836	\$ 26,524,479

Current and other assets increased \$1,229,489, which was primarily due to an increase in intergovernmental receivable for two new federal grants. The decrease in capital assets of \$975,872 is due to current year depreciation exceeding current year additions. Other liabilities decreased by \$892,017, which was primarily due to decreases in accrued wages and benefits and deferred revenue. Insurance premium holidays granted by the Stark Council of Governments were taken in June, July and August 2011. The District was, however, required to pay the difference between the 2010-2011 premium rate and the current premium rate. Deferred revenue decreased due to larger amount available for advance on property taxes

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2011. 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
	2011	2010
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,401,427	\$ 1,456,328
Operating Grants	2,826,199	2,275,676
Capital Grants	1,321	17,866
<i>General Revenue:</i>		
Property Taxes	6,656,344	5,648,690
Grants and Entitlements	10,931,469	10,991,868
Other	78,000	123,113
Total Revenues	21,894,760	20,513,541
Program Expenses		
Instruction	11,983,222	12,428,035
Support Services	3,839,000	4,054,821
Operation and Maintenance of Plant	1,313,713	1,672,438
Operation of Non-Instructional	822,291	910,527
Pupil Transportation	960,549	837,291
Extracurricular Activities	616,622	644,921
Intergovernmental	408,025	4,449
Interest and Fiscal Charges	665,981	643,800
Total Expenses	20,609,403	21,196,282
Increase (Decrease) in Net Assets	\$ 1,285,357	\$ (682,741)

Two new grants in fiscal year 2011, Race to the Top grant and Education Jobs grant, accounted for the approximately \$600,000 increase in operating grant revenue from fiscal year 2010 to fiscal year 2011. Property tax revenue increased over fiscal year 2010 levels due a larger amount available for advance on property taxes. Stark County Auditor's Office installed new software enabling them to more accurately calculate this amount.

Intergovernmental expense of \$408,025 in fiscal year 2011 represents the School District's repayment of unspent interest earned on the State share of Ohio School Facilities Commission project completed during the prior year.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Governmental Activities

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

(Table 3)
Governmental Activities

	Total Cost of Service 2011	Total Cost of Service 2010	Net Cost of Service 2011	Net Cost of Service 2010
Instruction	\$ 11,983,222	\$ 12,428,035	\$ (9,031,759)	\$ (10,035,008)
Support Services:				
Pupils and Instructional Staff	1,605,564	1,635,651	(1,547,353)	(1,580,984)
Board of Education, Administration, Fiscal, Business and Central	2,233,436	2,419,170	(2,228,436)	(2,414,170)
Operation and Maintenance of Plant	1,313,713	1,672,438	(1,241,455)	(1,594,585)
Pupil Transportation	960,549	837,291	(940,631)	(831,903)
Operation of Non-Instructional	822,291	910,527	37,901	(84,035)
Extracurricular Activities	616,622	644,921	(354,717)	(257,478)
Intergovernmental	408,025	4,449	(408,025)	(4,449)
Interest and Fiscal Charges	665,981	643,800	(665,981)	(643,800)
	<u>\$ 20,609,403</u>	<u>\$ 21,196,282</u>	<u>\$ (16,380,456)</u>	<u>\$ (17,446,412)</u>
Total Expenses				

Instruction and student support services comprise 76.8 percent of governmental program expenses. Pupil transportation and the operation and maintenance of plant account for 11 percent of governmental program expenses. Extracurricular and operation of non-instructional services are 7.0 percent of governmental program expenses. Intergovernmental and interest and fiscal charges make up the remaining 5.2 percent of program expenses. Interest expense was attributable to the outstanding bonds.

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

The School District's Funds

Information about the School District's governmental funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,805,379 and expenditures and other financing uses of \$20,392,607. The net change in fund balance for the fiscal year was an increase of \$1,412,772. The most significant increase is in the general fund and is due to increases in tax and intergovernmental revenue.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Senate Bill 345 requires school districts to set aside \$171.96 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and instructional materials and the other for capital improvements (see Note 15). For fiscal year 2011, this amounted to \$295,173 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 \$121,620. The School District also had qualifying carryovers and offsets during the year that reduced the capital acquisition set-aside amount below zero. This amount may be used to reduce the set-aside requirements for future years.

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.

The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue of \$15,984,837 did not change from the original budget estimate of \$15,984,837. Actual revenue of \$15,978,595 was \$6,242 lower than the final budget basis estimate of \$15,984,837.

Final appropriations and other financing uses of \$15,817,579 were the same as the original budget. Actual expenditures and other financing uses of \$15,360,613 were \$456,966 lower than the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$38,656,078 invested in land, buildings and improvements, furniture, equipment and vehicles. Table 4 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 127,797	\$ 127,797
Buildings and Improvements	37,292,321	38,054,666
Furniture and Equipment	947,473	1,065,574
Vehicles	288,487	348,401
Construction in Progress	0	35,512
Totals	\$ 38,656,078	\$ 39,631,950

The \$975,872 decrease in capital assets was attributable to depreciation exceeding additional purchases in the current year. See Note 9 for additional information on capital assets.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Debt

At June 30, 2011, the School District had \$12,149,527 in bonds outstanding with \$505,442 due within one year. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2011	Governmental Activities 2010
General Obligation Bonds:		
Various Series Bonds	\$ 11,050,000	\$ 11,485,000
Various Capital Appreciation Bonds	359,991	359,991
Accretion on Capital Appreciation Bonds	739,536	578,386
Totals	\$ 12,149,527	\$ 12,423,377

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

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

See Note 10 for additional information on debt.

Current Issues

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

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

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 30.4 percent of revenues for governmental activities for the Minerva Local School District in fiscal year 2011.

Minerva Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." In fiscal year 2010, the legislature passed a new funding model called the "Evidence Based Model." This new model bases school funding on a number of factors which include District average daily membership, an educational challenge factor (accounts for a School District's wealth, college attainment, and concentration of poverty), numbers of buildings and organization units, and average wages for teachers, custodians, etc. Ohio's newly elected Governor eliminated the Evidence Based Model and appointed a panel to develop a new funding model. In the meantime, the state is using a "Bridge Formula" that is based on the amount of funding received in the previous fiscal year and current enrollment.

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jason Schatzel, Treasurer of Minerva Local School District, 312 E. Lincolnway, Minerva, Ohio 44657 or schatzj@minerva.sparcc.org.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,318,641
Receivables:	
Taxes	6,398,070
Accounts	10,620
Intergovernmental	956,358
Prepaid Items	11,261
Materials and Supplies Inventory	43,783
Deferred Charges	148,946
Nondepreciable Capital Assets	127,797
Depreciable Capital Assets (Net)	<u>38,528,281</u>
 <i>Total Assets</i>	 <u>48,543,757</u>
 Liabilities	
Accounts Payable	37,522
Contracts Payable	2,154
Accrued Wages and Benefits	1,156,305
Accrued Interest Payable	50,048
Intergovernmental Payable	628,924
Matured Compensated Absences Payable	113,509
Deferred Revenue	5,068,808
Long-Term Liabilities:	
Due Within One Year	658,676
Due In More Than One Year	<u>13,017,975</u>
 <i>Total Liabilities</i>	 <u>20,733,921</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	27,012,146
Restricted for:	
Capital Projects	548,440
Debt Service	780,759
Other Purposes	903,969
Set Asides	121,620
Unrestricted	<u>(1,557,098)</u>
 <i>Total Net Assets</i>	 <u>\$ 27,809,836</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 9,260,041	\$ 805,742	\$ 910,839	\$ 1,321	\$ (7,542,139)
Special	2,711,344	61,301	1,172,260	0	(1,477,783)
Vocational	7,171	0	0	0	(7,171)
Adult/Continuing	4,666	0	0	0	(4,666)
Support Services:					
Pupils	759,782	0	29,240	0	(730,542)
Instructional Staff	845,782	0	28,971	0	(816,811)
Board of Education	87,886	0	0	0	(87,886)
Administration	1,541,045	0	5,000	0	(1,536,045)
Fiscal	485,656	0	0	0	(485,656)
Business	110,033	0	0	0	(110,033)
Operation and Maintenance of Plant	1,313,713	14,402	57,856	0	(1,241,455)
Pupil Transportation	960,549	19,918	0	0	(940,631)
Central	8,816	0	0	0	(8,816)
Operation of Non-Instructional Services:					
Food Service	778,220	248,172	585,884	0	55,836
Community Services	44,071	0	26,136	0	(17,935)
Extracurricular Activities	616,622	251,892	10,013	0	(354,717)
Intergovernmental	408,025	0	0	0	(408,025)
Interest and Fiscal Charges	665,981	0	0	0	(665,981)
<i>Total Governmental Activities</i>	<u>\$ 20,609,403</u>	<u>\$ 1,401,427</u>	<u>\$ 2,826,199</u>	<u>\$ 1,321</u>	<u>(16,380,456)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					5,635,364
Debt Service					928,576
Classroom Facilities Maintenance					92,404
Grants and Entitlements not Restricted to Specific Programs					10,931,469
Investment Earnings					4,756
Miscellaneous					73,244
<i>Total General Revenues</i>					<u>17,665,813</u>
<i>Change in Net Assets</i>					1,285,357
<i>Net Assets Beginning of Year (Restated, See Note 3)</i>					<u>26,524,479</u>
<i>Net Assets End of Year</i>					<u>\$ 27,809,836</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2011*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 524,200	\$ 632,665	\$ 1,040,156	\$ 2,197,021
Restricted Cash and Cash Equivalents	121,620	0	0	121,620
Receivables:				
Taxes	5,306,239	1,006,768	85,063	6,398,070
Accounts	10,620	0	0	10,620
Interfund	45,833	0	0	45,833
Intergovernmental	90,751	0	865,607	956,358
Due From Other Funds	17,231	0	0	17,231
Prepaid Items	11,261	0	0	11,261
Materials and Supplies Inventory	43,783	0	0	43,783
Advances to Other Funds	200,000	0	0	200,000
<i>Total Assets</i>	<u>\$ 6,371,538</u>	<u>\$ 1,639,433</u>	<u>\$ 1,990,826</u>	<u>\$ 10,001,797</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 22,636	\$ 0	\$ 14,886	\$ 37,522
Contracts Payable	0	0	2,154	2,154
Accrued Wages and Benefits	1,034,962	0	121,343	1,156,305
Interfund Payable	0	0	45,833	45,833
Due To Other Funds	3,089	0	14,142	17,231
Intergovernmental Payable	578,324	0	50,600	628,924
Matured Compensated Absences Payable	113,509	0	0	113,509
Deferred Revenue	4,570,570	870,103	882,828	6,323,501
Advances From Other Funds	0	0	200,000	200,000
<i>Total Liabilities</i>	6,323,090	870,103	1,331,786	8,524,979
Fund Balances				
Nonspendable	255,044	0	0	255,044
Restricted	121,620	769,330	432,155	1,323,105
Committed	0	0	494,801	494,801
Assigned	400	0	0	400
Unassigned	(328,616)	0	(267,916)	(596,532)
<i>Total Fund Balances</i>	48,448	769,330	659,040	1,476,818
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,371,538</u>	<u>\$ 1,639,433</u>	<u>\$ 1,990,826</u>	<u>\$ 10,001,797</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Fund Balances	\$	1,476,818
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,656,078
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 891,612	
Delinquent Property Taxes	363,081	1,254,693
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the bonds on a full accrual basis.		
Issuance Costs - Deferred Charges	188,141	
Accumulated Amortization	(39,195)	148,946
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(50,048)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(11,050,000)	
Capital Appreciation Bonds	(359,991)	
Unamortized Bond Premium	(578,921)	
Bond Accretion	(739,536)	
Bond Refunding Loss	429,972	
Capital Leases	(233,937)	
Compensated Absences	(1,144,238)	(13,676,651)
 <i>Net Assets of Governmental Activities</i>		 \$ 27,809,836

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 5,653,540	\$ 928,718	\$ 92,743	\$ 6,675,001
Intergovernmental	10,025,384	194,870	2,749,387	12,969,641
Investment Income	4,756	0	1,346	6,102
Tuition and Fees	886,960	0	0	886,960
Extracurricular Activities	100,543	0	151,348	251,891
Gifts and Donations	15,627	0	42,403	58,030
Rentals	14,402	0	0	14,402
Charges for Services	0	0	248,172	248,172
Miscellaneous	41,585	0	31,661	73,246
<i>Total Revenues</i>	<u>16,742,797</u>	<u>1,123,588</u>	<u>3,317,060</u>	<u>21,183,445</u>
Expenditures				
Current:				
Instruction:				
Regular	8,086,739	0	139,083	8,225,822
Special	1,555,676	0	1,133,489	2,689,165
Vocational	6,431	0	0	6,431
Adult/Continuing	4,666	0	0	4,666
Support Services:				
Pupils	717,994	0	181	718,175
Instructional Staff	798,030	0	40,771	838,801
Board of Education	87,886	0	0	87,886
Administration	826,067	0	732,665	1,558,732
Fiscal	456,339	18,753	4,304	479,396
Business	109,088	0	0	109,088
Operation and Maintenance of Plant	1,130,353	0	50,457	1,180,810
Pupil Transportation	894,306	0	30	894,336
Central	8,816	0	0	8,816
Operation of Non-Instructional Services:				
Food Services	0	0	752,467	752,467
Community Services	1,669	0	42,402	44,071
Extracurricular Activities	345,185	0	178,650	523,835
Intergovernmental	0	0	408,025	408,025
Capital Outlay	221,271	0	171,577	392,848
Debt Service:				
Principal Retirement	121,125	435,000	0	556,125
Interest and Fiscal Charges	6,200	493,235	0	499,435
<i>Total Expenditures</i>	<u>15,377,841</u>	<u>946,988</u>	<u>3,654,101</u>	<u>19,978,930</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>1,364,956</u>	<u>176,600</u>	<u>(337,041)</u>	<u>1,204,515</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	208,257	0	0	208,257
Transfers In	0	0	413,677	413,677
Transfers Out	0	0	(413,677)	(413,677)
<i>Net Change in Fund Balance</i>	1,573,213	176,600	(337,041)	1,412,772
<i>Fund Balance (Deficit) Beginning of Year</i> <i>(Restated, See Note 3)</i>	<u>(1,524,765)</u>	<u>592,730</u>	<u>996,081</u>	<u>64,046</u>
<i>Fund Balance End of Year</i>	<u>\$ 48,448</u>	<u>\$ 769,330</u>	<u>\$ 659,040</u>	<u>\$ 1,476,818</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
*Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	1,412,772
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*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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 272,326	
Current Year Depreciation	<u>(1,248,198)</u>	(975,872)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	740,626	
Delinquent Property Taxes	<u>(18,657)</u>	721,969

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General Obligation Bonds	435,000	
Capital Leases	<u>121,125</u>	556,125

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	(5,396)	
Accretion on Capital Appreciation Bonds	(161,150)	
Refunding Loss Amortization	(22,630)	
Bond Premium Amortization	<u>30,469</u>	(158,707)

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

(7,839)

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Assets are not reported as revenues.

Inception of Capital Lease		(208,257)
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Some expenses reported in the Statement of Activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>(54,834)</u>
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Change in Net Assets of Governmental Activities

\$ 1,285,357

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 5,185,000	\$ 5,185,000	\$ 4,995,283	\$ (189,717)
Intergovernmental	9,840,837	9,840,837	10,049,658	208,821
Investment Income	3,000	3,000	4,756	1,756
Tuition and Fees	911,000	911,000	878,444	(32,556)
Rentals	20,000	20,000	14,364	(5,636)
Gifts and Donations	0	0	1,614	1,614
Miscellaneous	25,000	25,000	34,476	9,476
<i>Total Revenues</i>	<u>15,984,837</u>	<u>15,984,837</u>	<u>15,978,595</u>	<u>(6,242)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,303,283	8,303,283	8,062,765	240,518
Special	1,649,596	1,649,596	1,601,813	47,783
Vocational	6,598	6,598	6,407	191
Adult/Continuing	4,795	4,795	4,656	139
Support Services:				
Pupils	752,898	752,898	731,089	21,809
Instructional Staff	861,262	861,262	836,314	24,948
Board of Education	94,484	94,484	91,747	2,737
Administration	906,470	906,470	880,213	26,257
Fiscal	471,460	471,460	457,803	13,657
Business	112,261	112,261	109,009	3,252
Operation and Maintenance of Plant	1,186,686	1,186,686	1,152,312	34,374
Pupil Transportation	944,807	944,807	917,439	27,368
Central	9,202	9,202	8,935	267
Operation of Non-Instructional Services:				
Community Services	1,649	1,649	1,601	48
Extracurricular Activities	317,982	317,982	308,771	9,211
Capital Outlay	21,023	21,023	20,414	609
Debt Service:				
Principal Retirement	124,738	124,738	121,125	3,613
Interest and Fiscal Charges	6,385	6,385	6,200	185
<i>Total Expenditures</i>	<u>15,775,579</u>	<u>15,775,579</u>	<u>15,318,613</u>	<u>456,966</u>
Excess of Revenues Over Expenditures	209,258	209,258	659,982	450,724
Other Financing Uses				
Advances Out	(42,000)	(42,000)	(42,000)	0
<i>Net Change in Fund Balance</i>	167,258	167,258	617,982	450,724
<i>Fund Balance (Deficit) Beginning of Year</i>	(219,997)	(219,997)	(219,997)	0
Prior Year Encumbrances Appropriated	109,050	109,050	109,050	0
<i>Fund Balance End of Year</i>	<u>\$ 56,311</u>	<u>\$ 56,311</u>	<u>\$ 507,035</u>	<u>\$ 450,724</u>

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 29,176</u>	<u>\$ 52,161</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$ 52,161</u>
Net Assets		
Held in Trust	<u>\$ 29,176</u>	

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 38,937
Deductions	
Payments in Accordance with Trust Agreements	20,700
<i>Change in Net Assets</i>	18,237
<i>Net Assets Beginning of Year (Restated, See Note 3)</i>	10,939
<i>Net Assets End of Year</i>	\$ 29,176

See accompanying notes to the basic financial statements.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The Minerva Local School District (School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of October 1, 2010, was 2,024. The School District employs 138 certificated and 92 non-certificated employees.

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

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

The School District is involved with Stark Portage Area Computer Consortium (SPARCC) and Stark County Joint Vocational School, which are defined as jointly governed organizations. The School District is also involved with the Stark County Schools Council of Governments Health Benefits Program and the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 19 and 20.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District applies generally accepted principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the School District's accounting policies are described on next page.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

B. Fund Accounting

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

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

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Retirement Fund The bond retirement debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds used for the construction of buildings within the School District.

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2011, investments were limited to STAROhio, repurchase agreements, certificates of deposit and money market accounts.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$4,756 with \$4,154 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, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

H. Deferred Charges

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

I. Capital Assets

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

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	20 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years

J. Interfund Balances

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

Long-term interfund loans (advances) are classified as "advances from other funds" and "advances to other funds". These amounts are eliminated in the governmental column of the Statement of Net Assets.

K. Compensated Absences

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

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

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

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Bond Premiums

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2011, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes primarily include instructional activities, grants and extracurricular activities.

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

O. Fund Balance

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

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Estimates

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

S. Budgetary Data

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

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

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

T. Changes in Accounting Principles

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3: RESTATEMENT OF FUND BALANCES AND NET ASSETS

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the School District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ (1,591,459)	\$ 1,064,547
Fund Reclassification:		
Uniform School Supplies Fund	(3,541)	3,541
Public School Support Fund	70,235	(70,235)
Private Purpose Trust Funds	0	(1,772)
Restated Fund Balance at July 1, 2010	<u>\$ (1,524,765)</u>	<u>\$ 996,081</u>

The fund reclassifications had the following effect on the School District's net assets as previously reported:

	<u>Governmental Activities</u>	<u>Private Purpose Trust Funds</u>
Net Assets, Held in Trust, Previously Reported at June 30, 2010	\$ 26,526,251	\$ 9,167
Fund Reclassification:		
Private Purpose Trust Funds	(1,772)	1,772
Restated Net Assets, Held in Trust at July 1, 2010	<u>\$ 26,524,479</u>	<u>\$ 10,939</u>

NOTE 4: FUND DEFICITS

Fund balances at June 30, 2011 included the following individual fund deficits:

	<u>Deficit</u>
Non-Major Funds:	
Food Service	\$ 199,713
Athletics	19,626
Idea Part B	5,429
State Fiscal Stabilization	41,106
Title V	872
Improving Teacher Quality	1,170

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

Contrary to Ohio Rev. Code Section 5705.10 the District had negative cash fund balances in the General (\$122,500 - \$501,000), Food Service (\$24,100 - \$95,300), Race to the Top (\$286), Management Information System (\$100), and Uniform School Supplies (\$630) funds throughout the fiscal year.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to Balance Sheet transactions (GAAP).
5. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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	\$ 1,573,213
Net Adjustment for Revenue Accruals	(850,044)
Net Adjustment for Expenditure Accruals	4,035
Funds Budgeted Elsewhere**	(8,171)
Advances Out	(42,000)
Adjustment for Encumbrances	(59,051)
Budget Basis	\$ 617,982

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

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6: 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
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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 2011, 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 \$40,834. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011, the School District's entire bank balance of \$255,669 was covered by Federal Deposit Insurance Corporation. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

Investments

As of June 30, 2011, the School District had the following investment and maturity:

Investment Type	Fair Value	<u>Investment Maturity</u> 6 Months or Less
Repurchase Agreement	\$ 2,359,144	\$ 2,359,144

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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

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

Credit Risk The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were Aaa by Moody's Investor Services. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage total of each investment type held by the School District as of June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	<u>\$ 2,359,144</u>	<u>100.00%</u>

NOTE 7: RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 8: 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.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 8: PROPERTY TAXES (Continued)

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated, 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 was 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, 2011, are available to finance fiscal year 2011 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)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 8: PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2011, 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, 2011 was \$816,156 in the general fund, \$136,665 in the bond retirement fund and \$13,360 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2010 was \$157,899 in the general fund, \$25,304 in the bond retirement fund and \$2,629 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 156,053,680	79%	\$ 157,580,840	79%
Commercial/Industrial/ Public Utility/Minerals	31,476,490	16%	32,063,750	16%
Tangible Personal Property	9,326,694	5%	9,615,000	5%
Total Assessed Value	<u>\$ 196,856,864</u>	<u>100%</u>	<u>\$ 199,259,590</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Value:				
Columbiana County	<u>\$ 45.00</u>		<u>\$ 45.30</u>	
Carroll County	<u>\$ 44.50</u>		<u>\$ 44.80</u>	
Stark County	<u>\$ 45.00</u>		<u>\$ 46.80</u>	

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 127,797	\$ 0	\$ 0	\$ 127,797
Construction in Progress	35,512	74,666	(110,178)	0
<i>Total Capital Assets, not being depreciated</i>	163,309	74,666	(110,178)	127,797
 <i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	44,106,226	305,741	0	44,411,967
Furniture and Equipment	1,749,011	2,097	0	1,751,108
Vehicles	1,362,376	0	0	1,362,376
<i>Total Capital Assets, being depreciated</i>	47,217,613	307,838	0	47,525,451
 <i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(6,051,560)	(1,068,086)	0	(7,119,646)
Furniture and Equipment	(683,437)	(120,198)	0	(803,635)
Vehicles	(1,013,975)	(59,914)	0	(1,073,889)
<i>Total Accumulated Depreciation</i>	(7,748,972)	(1,248,198) *	0	(8,997,170)
 <i>Total Capital Assets being depreciated, net</i>	 39,468,641	 (940,360)	 0	 38,528,281
 <i>Governmental Activities Capital Assets, Net</i>	 \$ 39,631,950	 \$ (865,694)	 \$ (110,178)	 \$ 38,656,078

* Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$ 971,161
Vocational	675
<i>Support Services:</i>	
Pupils	423
Instructional Staff	2,363
Administration	2,463
Fiscal	2,153
Operation and Maintenance of Plant	114,245
Pupil Transportation	59,231
<i>Operation of Non-Instructional Services:</i>	
Food Service Operations	34,454
Extracurricular Activities	61,030
Total Depreciation Expense	\$ 1,248,198

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2011 were as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
<i>General Obligation Bonds:</i>					
2002 Classroom Facilities Bonds:					
Series Bonds -					
\$13,730,000 - 3.35%-5.125%	\$ 2,565,000	\$ 0	\$ (350,000)	\$ 2,215,000	\$ 0
Capital Appreciation Bonds -					
\$294,998 - 7.02%	294,998	0	0	294,998	155,575
Accretion on Capital					
Appreciation Bonds	419,450	82,778	0	502,228	264,867
2006 Classroom Facilities Bonds:					
Serial and Term Bonds -					
\$9,200,000 - 3.5%-4.35%	8,920,000	0	(85,000)	8,835,000	85,000
Capital Appreciation Bonds -					
\$64,993 - 4.15%-4.25%	64,993	0	0	64,993	0
Accretion on Capital					
Appreciation Bonds	158,936	78,372	0	237,308	0
Unamortized Premium	609,390	0	(30,469)	578,921	0
Refunding Loss	(452,602)	22,630	0	(429,972)	0
<i>Total General Obligation Bonds</i>	12,580,165	183,780	(465,469)	12,298,476	505,442
Capital Leases	146,805	208,257	(121,125)	233,937	41,788
Compensated Absences	1,089,404	247,785	(192,951)	1,144,238	111,446
Total Governmental Activities					
Long-Term Obligations	<u>\$ 13,816,374</u>	<u>\$ 639,822</u>	<u>\$ (779,545)</u>	<u>\$ 13,676,651</u>	<u>\$ 658,676</u>

2002 School Improvement Bonds

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

The capital appreciation bonds mature December 1, 2011 through December 1, 2012. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$880,000. For fiscal year 2011, the accretion amount was \$82,778.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

2006 School Improvement Advance Refunding General Obligation Bonds

On June 28, 2006, the School district issued \$9,264,993 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,915,000, \$3,285,000 and \$64,993, respectively. The bonds advance refunded \$9,265,000 of outstanding 2002 School Improvement General Obligation Bonds. The bonds were issued for a twenty-three year period with final maturity at December 1, 2029. At the date of refunding, \$9,808,122 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$9,265,000 of the 2002 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2011 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 2011 was \$30,469. The issuance costs of \$188,141 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$7,839.

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

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

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

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

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will mature December 1, 2014 through 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,255,000. The fiscal year 2011 accretion amount is \$78,372.

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

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011 are as follows:

Year Ending	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	85,000	482,610	155,575	284,425	240,575	767,035
2013	90,000	479,283	139,423	300,578	229,423	779,861
2014	535,000	464,399	0	0	535,000	464,399
2015	460,000	439,461	7,359	87,641	467,359	527,102
2016	0	393,977	57,634	1,102,365	57,634	1,496,342
2017-2021	2,490,000	1,903,663	0	0	2,490,000	1,903,663
2022-2026	3,765,000	1,186,252	0	0	3,765,000	1,186,252
2027-2030	3,625,000	323,110	0	0	3,625,000	323,110
Total	<u>\$ 11,050,000</u>	<u>\$ 5,672,755</u>	<u>\$ 359,991</u>	<u>\$ 1,775,009</u>	<u>\$ 11,409,991</u>	<u>\$ 7,447,764</u>

NOTE 11: CAPITALIZED LEASES

During fiscal year 2011, the School District entered into a lease agreement for a stadium lighting system. During fiscal year 2010, the School District entered into lease agreements for a bus and computers. All of the leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

The stadium lighting system has been capitalized in the governmental capital assets in the amount of \$208,257, which is the present value of the minimum lease payments at lease inception. The bus has been capitalized in the governmental capital assets in the amount of \$76,579, the present value of the minimum lease payments at the inception of the lease. The computers were below the School District's capitalization threshold of \$2,000 per item, and therefore, were not capitalized. A corresponding liability was recorded in the Statement of Net Assets and is reduced for each required principal payment. Principal payments in fiscal year 2011 totaled \$121,125 in the governmental funds.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11: CAPITALIZED LEASES (Continued)

The following is a schedule of the future long term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011:

Year ending June 30,	
2012	\$ 54,445
2013	27,746
2014	27,746
2015	27,746
2016	27,746
2017-2021	<u>138,730</u>
	304,159
Less amount representing interest	<u>70,222</u>
Present value of minimum lease payments	<u>\$ 233,937</u>

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining 2.19 percent of the 14 percent employer contribution is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$283,153, \$317,394 and \$238,003, respectively; 38 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple employer public employee retirement 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - For the fiscal year ended June 30, 2011, 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 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,110,628, \$1,103,915 and \$1,071,249, respectively; 80 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$35,755 made by the School District and \$25,540 made by the plan members.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, 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 13: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For the year ended June 30, 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$33,653.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$34,285, \$11,424 and \$108,921, respectively; 38 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$18,222, \$18,875 and \$19,637, respectively; 38 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. The Plan is included in the financial report of STRS Ohio. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$85,433, \$84,917 and \$82,404, respectively; 80 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14: INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at June 30, 2011 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 45,833	\$ 0
Other Governmental Funds:		
Permanent Improvement	0	25,000
Amazing Arts	0	82
Choir High School	0	17,268
Race to the Top	0	285
Title VI-B	0	2,326
Title V	0	872
Total	\$ 45,833	\$ 45,833

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

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

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14: INTERFUND ACTIVITY (Continued)

B. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following:

	Transfers Out	Transfers In
Other Governmental Funds:		
Permanent Improvement	\$ 0	\$ 413,677
Classroom Facilities	413,677	0
	\$ 413,677	\$ 413,677
Total		

The classroom facilities fund transferred the balance of \$413,677 which remained in the fund to the permanent improvement fund.

NOTE 15: SET-ASIDES

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

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

	Textbooks	Capital Acquisition	Totals
Set-Aside Reserve Balance as of June 30, 2010	\$ 148,492	\$ 0	\$ 148,492
Current Year Set-Aside Requirement	295,173	295,173	590,346
Current Year Qualifying Expenditures	(322,045)	0	(322,045)
Current Year Offsets	0	(139,868)	(139,868)
Prior Year Offset from Bond Proceeds	0	(155,305)	(155,305)
	\$ 121,620	\$ 0	\$ 0
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ 0	\$ 0	
Set-Aside Reserve Balance as of June 30, 2011	\$ 121,620	\$ 0	

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 15: SET-ASIDES (Continued)

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 reserved fund balance of \$121,620. This amount is also reported as restricted cash and cash equivalents in the general fund.

Effective July 1, 2011, textbook set-aside laws have been repealed. The positive fund balance is therefore not presented as being carried forward to future fiscal year.

NOTE 16: CONTRACTUAL COMMITMENTS

As of June 30, 2011, the School District had contractual commitments for construction a new bus garage and administrative offices.

	Contractual Commitment	Expended	Balance June 30, 2011
Studer Architects, LLC	\$ 19,200	\$ 15,511	\$ 3,689

NOTE 17: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$5,000 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$67,568,321. The School District's vehicle insurance policy limit is \$1,000,000 with a \$500 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally the School District carries a \$5,000,000 blanket umbrella policy. The limits of this of this coverage are \$5,000,000 per occurrence and \$5,000,000 in aggregate. Claims have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

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

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 17: RISK MANAGEMENT (Continued)

C. Workers' Compensation

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

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

D. Employee Health Insurance

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

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2011, the School District's monthly premiums were \$1,310.30 for family coverage and \$539.39 for single coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2011, the School District's cost was \$168.96 for family coverage and \$68.48 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18: FUND BALANCE

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

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

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Prepaid Items	\$ 11,261	\$ 0	\$ 0	\$ 11,261
Inventory	43,783	0	0	43,783
Long-term Advances	200,000	0	0	200,000
Total Nonspendable	<u>255,044</u>	<u>0</u>	<u>0</u>	<u>255,044</u>
Restricted for:				
Setasides	121,620	0	0	121,620
Debt Service	0	769,330	0	769,330
Classroom Facilities Maintenance	0	0	405,706	405,706
Other Purposes	0	0	26,449	26,449
Total Restricted	<u>121,620</u>	<u>769,330</u>	<u>432,155</u>	<u>1,323,105</u>
Committed for:				
Capital Projects	0	0	494,801	494,801
Assigned for:				
Encumbrances	400	0	0	400
Unassigned	(328,616)	0	(267,916)	(596,532)
<i>Total Fund Balance</i>	<u><u>\$ 48,448</u></u>	<u><u>\$ 769,330</u></u>	<u><u>\$ 659,040</u></u>	<u><u>\$ 1,476,818</u></u>

**MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 19: 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.

NOTE 20: JOINTLY GOVERNED ORGANIZATIONS

A. Stark Portage Area Computer Consortium

Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$96,540 to SPARCC during the fiscal year 2011. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38th Street NW, Canton, OH 44709-2300.

B. Stark County Joint Vocational School

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

MINERVA LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 21: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

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MINERVA LOCALSCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$152,219		\$152,219	
National School Lunch Program	10.555	369,664		369,664	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$52,454		\$52,454
Total Child Nutrition Cluster		<u>521,883</u>	<u>52,454</u>	<u>521,883</u>	<u>52,454</u>
Total U.S. Department of Agriculture		<u>521,883</u>	<u>52,454</u>	<u>521,883</u>	<u>52,454</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	462,583		458,075	
ARRA Special Education Grants to States	84.391	<u>136,791</u>		<u>150,335</u>	
Total Special Education Cluster		599,374		608,410	
Title I, Grants to Local Educational Agencies	84.010	508,002		507,342	
ARRA Title I, Grants to Local Educational Agencies	84.389	<u>15,887</u>		<u>15,885</u>	
Total Title I Grants		523,889		523,227	
Improving Teacher Quality Grants	84.340	122,074		220,629	
Education Technology State Grants	84.318	1,520		1,520	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	736,309		752,734	
Race to the Top Grant	84.395	<u>2,229</u>		<u>2,515</u>	
Total U.S. Department of Education		<u>1,985,395</u>		<u>2,109,035</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio DODD</i>					
Medical Assistance Program (CAFS)	93.778	<u>82,599</u>		<u>0</u>	
Total U.S. Department of Health and Human Services		82,599		0	
Totals		<u>\$2,589,877</u>	<u>\$52,454</u>	<u>\$2,630,918</u>	<u>\$52,454</u>

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

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – MEDICAL ASSISTANCE PROGRAM (CAFS)

The District received \$82,599 for the Medical Assistance Program which relates to settlements for CAFS service provided during prior years.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2011. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 30, 2011.

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

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



Dave Yost
Auditor of State

November 30, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Minerva Local School District, Stark County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Minerva Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

November 30, 2011

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA 10.553 and 10.555; Special Education Grants to States CFDA 84.027 and 84.391; Title I CFDA 84.010 and 84.389; State Fiscal Stabilization Fund CFDA 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Ohio Revised Code Section 5705.10

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.10 requires monies paid into any fund be used only for the purposes for which such fund is established. Throughout fiscal year 2011, the District had negative cash fund balance in the following funds;

- General Fund (001) for the following months: July 2010 (\$501,180), December 2010 (\$128,614), January 2011 (\$378,015), and February 2011 (\$122,586).
- Food Service Fund (006) for the following months: July 2010 (\$24,140), August 2010 (\$71,753), September 2010 (\$95,087), October 2010 (\$57,771), November 2010 (\$95,272), December 2010 (\$96,648), January 2011 (\$15,693), February 2011 (\$1,483), and March 2011 (\$4,520).
- Race to the Top (506) June 2011 (\$286),
- Management Information System Fund (432) October 2010 (\$100), and
- Uniform School Supplies (009) October 2010 (\$629).

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

Official's Response: While the District has been in violation of the Ohio Revised Code for negative fund balances, significant interest expenditure savings have been realized by not issuing Tax Anticipation Notes. The District is currently developing a plan, with assistance from the Ohio Department of Education, to eliminate future deficit fund balances.

**MINERVA LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 2705.10 – The District had negative cash fund balances in several funds at year end.	No	Not Corrected – Repeated as Finding 2011-001

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

1. We noted the Board amended its anti-harassment policy at its meeting on July 18, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 30, 2011

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Dave Yost • Auditor of State

MINERVA LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 29, 2011**