



Dave Yost • Auditor of State



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Minster Local School District  
Auglaize County  
100 East Seventh Street  
Minster, Ohio 45865

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minster Local School District, Auglaize County, (the District), as of and for the years ended June 30, 2010 and 2009, 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 that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minster Local School District, Auglaize County, as of June 30, 2010 and 2009, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 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 Schedule of Federal Awards Receipts and Expenditures 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 Schedule of Federal Awards Receipts and Expenditures 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

March 16, 2011

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

The discussion and analysis of Minster Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**Using This Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Minster Local School District, the General Fund and Bond Retirement debt service fund are the most significant funds.

**Reporting The School District As A Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

**Reporting The School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the 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 debt service fund.

**Governmental Funds** – All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

**The School District As A Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

	<b>Table 1 Net Assets</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$1,159,382	\$1,791,529	(\$632,147)
<b>Net Assets:</b>			
Restricted	586,477	604,678	(18,201)
Unrestricted	572,905	1,186,851	(613,946)
Total Net Assets	\$1,159,382	\$1,791,529	(\$632,147)

Total net assets dropped significantly. The School District's receipts decreased 4 percent, primarily from a reduction in the collection of income taxes and the elimination of tangible personal property taxes, and disbursements increased 7 percent, a substantial portion related to the payment of a judgment paid to the U. S. Department of Education, in the amount of \$308,963.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009.

**Table 2  
Change in Net Assets**

	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>	<b>Change</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$ 438,865	\$ 497,140	(\$ 58,275)
Operating Grants and Contributions	583,716	497,959	85,757
Capital Grants and Contributions	3,600	5,002	(1,402)
<b>Total Program Receipts</b>	<b>1,026,181</b>	<b>1,000,101</b>	<b>26,080</b>
<b>General Receipts:</b>			
Property Taxes Levied for General Purposes	3,209,303	3,569,387	(360,084)
Property Taxes Levied for Recreation	11,389	13,132	(1,743)
Property Taxes Levied for Debt Service	769,748	780,809	(11,061)
Property Taxes Levied for Permanent Improvements	29,371	36,962	(7,591)
Income Taxes	536,338	684,443	(148,105)
Grants and Entitlements	4,017,819	3,912,842	104,977
Interest	13,016	26,032	(13,016)
Miscellaneous	134,144	123,369	10,775
<b>Total General Receipts</b>	<b>8,721,128</b>	<b>9,146,976</b>	<b>(425,848)</b>
<b>Total Receipts</b>	<b>9,747,309</b>	<b>10,147,077</b>	<b>(399,768)</b>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	4,361,085	4,127,114	(233,971)
Special	531,184	643,492	112,308
Vocational	228,433	222,892	(5,541)
<b>Support Services:</b>			
Pupils	598,103	384,696	(213,407)
Instructional Staff	421,691	370,418	(51,273)
Board of Education	40,540	29,817	(10,723)
Administration	716,874	665,535	(51,339)
Fiscal	535,265	272,022	(263,243)
Operation and Maintenance of Plant	876,100	937,902	61,802
Pupil Transportation	200,727	188,816	(11,911)
Central	65,071	61,244	(3,827)
Non-instructional Services	321,140	321,808	668
Extracurricular Activities	346,534	323,584	(22,950)
Capital Outlay	92,658	71,835	(20,823)
<b>Debt Service:</b>			
Principal Retirement	615,000	590,000	(25,000)
Interest and Fiscal Charges	429,051	456,061	27,010
<b>Total Disbursements</b>	<b>10,379,456</b>	<b>9,667,236</b>	<b>(712,220)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(632,147)</b>	<b>479,841</b>	<b>(1,111,988)</b>
<b>Net Assets at Beginning of Year</b>	<b>1,791,529</b>	<b>1,311,688</b>	<b>479,841</b>
<b>Net Assets at End of Year</b>	<b>\$1,159,382</b>	<b>\$1,791,529</b>	<b>(\$ 632,147)</b>

Program receipts had a small overall increase from the prior fiscal year with a significant increase in operating grants and contributions due to additional federal funds received as a result of the American Reinvestment and Recovery Act. Charges for services decreased from a decrease in tuition from open enrollment, fewer students to purchase lunches, and less attendance at extracurricular events.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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(Continued)**

The most significant changes in general receipts include the decrease in property taxes due to the elimination of tangible personal property taxes. During fiscal year 2010, the School District received almost 22 percent less in income tax receipts due to a sluggish economy. Grants and entitlements increased slightly from an increase in the per student rate in State foundation. Interest receipts were lower due to a sluggish economy.

Total disbursements increased by 7 percent from fiscal year 2009. Throughout almost all of the programs, the School District had a 2.85 percent increase in base salary. Regular instruction costs also increased from the payment of a settlement relating to a teacher's employment. Pupils support services disbursements increased from payments to the Auglaize County Educational Service Center for physical therapy, occupational therapy, and speech therapy. The increased costs in the instructional staff support services program occurred from the multiple handicapped/multiple disabilities costs charged to this program in fiscal year 2010 that had been charged in prior fiscal years to special instruction. Also, these costs increased from the payments to the Auglaize County Educational Service Center for aides. During the fiscal year, a contract for policy development was approved which increased the disbursements of the Board of Education support services program. Legal fees attributed to the increase in administration support services program disbursements. Disbursements increased significantly in the fiscal support services program from the payment of a judgment, in the amount of \$308,963, to the U. S. Department of Education for recovery of federal grants paid for the operations of Minster Community School, a former discretely presented component unit of the School District. The School District had a decrease in the costs of operation and maintenance of plant in fiscal year 2010. The School District locked-in the price of natural gas during fiscal year 2010 and used less than anticipated. The School District increased sports supplemental contracts and purchased additional sports-related equipment increasing the disbursements in the extracurricular activities program.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<b>Total Cost Of Services 2010</b>	<b>Total Cost Of Services 2009</b>	<b>Net Cost Of Services 2010</b>	<b>Net Cost Of Services 2009</b>
<b>Instruction:</b>				
Regular	\$ 4,361,085	\$4,127,114	\$4,028,691	\$3,999,587
Special	531,184	643,492	327,487	290,457
Vocational	228,433	222,892	193,372	191,673
<b>Support Services:</b>				
Pupils	598,103	384,696	596,603	382,577
Instructional Staff	421,691	370,418	421,691	370,418
Board of Education	40,540	29,817	40,540	29,817
Administration	716,874	665,535	716,874	665,535
Fiscal	535,265	272,022	535,265	272,022
Operation and Maintenance of Plant	876,100	937,902	876,100	937,902
Pupil Transportation	200,727	188,816	195,014	177,726
Central	65,071	61,244	48,087	46,744
Non-instructional Services	321,140	321,808	(6,581)	(22,950)
Extracurricular Activities	346,534	323,584	243,423	207,731
Capital Outlay	92,658	71,835	92,658	71,835
<b>Debt Service:</b>				
Principal Retirement	615,000	590,000	615,000	590,000
Interest and Fiscal Charges	429,051	456,061	429,051	456,061
<b>Total Disbursements</b>	<b><u>\$10,379,456</u></b>	<b><u>\$9,667,236</u></b>	<b><u>\$9,353,275</u></b>	<b><u>\$8,667,135</u></b>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

General receipts paid for 90 percent of all disbursements which is comparable to fiscal year 2009. The most significant program receipts in fiscal year 2010 relate to special instruction and food service. Special instruction is principally paid with operating grants. Food service (non-instructional services) receives federal and state funds for providing meals to students. Extracurricular activities also has significant receipts relating to sport activities and trip charges that are received to finance these activities.

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund and Bond Retirement debt service fund.

Fund balance in the General Fund decreased 49 percent from the prior fiscal year. There was a 7 percent decrease in receipts with modest decreases in most receipt sources and a 3 percent increase in disbursements, a substantial portion of which can be attributed to the payment of the judgment, in the amount of \$308,963, to the U. S. Department of Education for the repayment of federal grants that had been received from the Minster Community School, a former component unit of the School District.

The Bond Retirement debt service fund had an increase in fund balance as tax collections are currently exceeding principal and interest payments.

**Budgetary Highlights**

The School District prepares an annual budget of receipts and disbursements for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The School District's most significant budgeted fund is the General Fund.

For receipts and disbursements, changes from the original budget to the final budget and changes from the final budget to actual were not significant.

The budgetary statement presentation is at the function level. Since the Board of Education budgets the General Fund at the fund and object level, the negative variance amounts presented on the financial statements do not represent violations of budgetary law.

**Current Issues**

In fiscal year 2011, the School District will continue to receive the balance of the State Fiscal Stabilization Funds through the new PASS State funding formula that had been allocated to the School District for a two-year period.

In fiscal year 2010, six employees retired. During fiscal year 2011, three of the six were replaced with new employees at lower salaries. Two positions were replaced with half-time positions. One teacher was not replaced.

The School District has been awarded \$97,000 from the EdJobs federal program that will be spent in fiscal year 2012 to retain teachers.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Request For Information**

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Laura S. Klosterman, Treasurer, 100 East Seventh Street, Minster, Ohio 45865.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,159,382</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	454,222
Capital Projects	31,488
Athletics	35,724
Other Purposes	65,043
Unrestricted	<u>572,905</u>
Total Net Assets	<u>\$1,159,382</u>

*See accompanying notes to the basic financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipt and Change in Net Assets</u>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$4,361,085	\$79,088	\$253,306		(\$4,028,691)
Special	531,184	5,390	198,307		(327,487)
Vocational	228,433		31,461	\$3,600	(193,372)
<b>Support Services:</b>					
Pupils	598,103		1,500		(596,603)
Instructional Staff	421,691				(421,691)
Board of Education	40,540				(40,540)
Administration	716,874				(716,874)
Fiscal	535,265				(535,265)
Operation and Maintenance of Plant	876,100				(876,100)
Pupil Transportation	200,727	275	5,438		(195,014)
Central	65,071		16,984		(48,087)
Non-instructional Services	321,140	255,315	72,406		6,581
Extracurricular Activities	346,534	98,797	4,314		(243,423)
Capital Outlay	92,658				(92,658)
<b>Debt Service:</b>					
Principal Retirement	615,000				(615,000)
Interest and Fiscal Charges	429,051				(429,051)
<b>Total Governmental Activities</b>	<u>\$10,379,456</u>	<u>\$438,865</u>	<u>\$583,716</u>	<u>\$3,600</u>	<u>(9,353,275)</u>
<b>General Receipts</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					3,209,303
Recreation					11,389
Debt Service					769,748
Permanent Improvements					29,371
Income Taxes					536,338
Grants and Entitlements not Restricted to Specific Programs					4,017,819
Interest					13,016
Miscellaneous					134,144
<b>Total General Receipts</b>					<u>8,721,128</u>
Change in Net Assets					(632,147)
Net Assets at Beginning of Year					<u>1,791,529</u>
Net Assets at End of Year					<u>\$1,159,382</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$558,218	\$454,222	\$136,866	\$1,149,306
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	10,076			10,076
Total Assets	<u>568,294</u>	<u>454,222</u>	<u>136,866</u>	<u>1,159,382</u>
<b>Fund Balances:</b>				
Reserved for Bus Purchases	7,373			7,373
Reserved for Unclaimed Monies	2,703			2,703
Reserved for Encumbrances	22,868		5,313	28,181
Unreserved, Designated for Termination Benefits			14,687	14,687
<b>Unreserved, Undesignated Reported in:</b>				
General Fund	535,350			535,350
Special Revenue Funds			86,286	86,286
Debt Service Fund		454,222		454,222
Capital Projects Funds			30,580	30,580
Total Fund Balances	<u>\$568,294</u>	<u>\$454,222</u>	<u>\$136,866</u>	<u>\$1,159,382</u>

*See accompanying notes to the basic financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>General</b>	<b>Bond Retirement</b>	<b>Other Governmental</b>	<b>Total</b>
<b>Receipts:</b>				
Property Taxes	\$3,209,303	\$769,748	\$40,760	\$4,019,811
Income Taxes	536,338			536,338
Intergovernmental	3,697,921	330,357	556,415	4,584,693
Interest	13,014		2	13,016
Tuition and Fees	84,478			84,478
Charges for Services	275		255,315	255,590
Extracurricular Activities			98,797	98,797
Gifts and Donations	9,580		10,862	20,442
Miscellaneous	134,026		118	134,144
<b>Total Receipts</b>	<b>7,684,935</b>	<b>1,100,105</b>	<b>962,269</b>	<b>9,747,309</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,128,389		232,696	4,361,085
Special	429,420		101,764	531,184
Vocational	224,833		3,600	228,433
<b>Support Services:</b>				
Pupils	443,838		154,265	598,103
Instructional Staff	420,834		857	421,691
Board of Education	37,689		2,851	40,540
Administration	716,874			716,874
Fiscal	518,753	15,686	826	535,265
Operation and Maintenance of Plant	758,253		117,847	876,100
Pupil Transportation	195,912		4,815	200,727
Central	10,861		54,210	65,071
Non-instructional Services	1,228		319,912	321,140
Extracurricular Activities	208,003		138,531	346,534
Capital Outlay			92,658	92,658
<b>Debt Service:</b>				
Principal Retirement		615,000		615,000
Interest and Fiscal Charges		429,051		429,051
<b>Total Disbursements</b>	<b>8,094,887</b>	<b>1,059,737</b>	<b>1,224,832</b>	<b>10,379,456</b>
Excess of Receipts Over (Under) Disbursements	(409,952)	40,368	(262,563)	(632,147)
<b>Other Financing Sources (Uses):</b>				
Transfers In			134,681	134,681
Transfers Out	(134,681)			(134,681)
<b>Total Other Financing Sources (Uses)</b>	<b>(134,681)</b>		<b>134,681</b>	
Changes in Fund Balances	(544,633)	40,368	(127,882)	(632,147)
Fund Balances at Beginning of Year	1,112,927	413,854	264,748	1,791,529
Fund Balances at End of Year	<u>\$568,294</u>	<u>\$454,222</u>	<u>\$136,866</u>	<u>\$1,159,382</u>

See accompanying notes to the basic financial statements.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		<b>(Under)</b>
<b>Receipts:</b>				
Property Taxes	\$3,471,832	\$3,471,832	\$3,209,303	(\$262,529)
Income Taxes	499,644	499,644	536,338	36,694
Intergovernmental	3,341,834	3,379,726	3,697,921	318,195
Interest	25,000	23,937	13,014	(10,923)
Tuition and Fees	79,836	71,398	84,478	13,080
Charges for Services			275	275
Gifts and Donations	1,500	1,500	9,580	8,080
Miscellaneous	135,798	132,237	134,026	1,789
<b>Total Receipts</b>	<b>7,555,444</b>	<b>7,580,274</b>	<b>7,684,935</b>	<b>104,661</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,789,343	4,789,918	4,129,034	660,884
Special	296,028	296,028	429,420	(133,392)
Vocational	189,115	189,115	224,883	(35,768)
<b>Support Services:</b>				
Pupils	960,412	680,412	443,838	236,574
Instructional Staff	202,199	206,322	420,834	(214,512)
Board of Education	16,451	16,451	38,059	(21,608)
Administration	500,429	508,429	730,585	(222,156)
Fiscal	261,456	501,894	518,853	(16,959)
Operation and Maintenance of Plant	629,287	632,287	762,720	(130,433)
Pupil Transportation	156,947	175,824	199,437	(23,613)
Central	7,858	7,858	10,861	(3,003)
Non-instruction Services			1,228	(1,228)
Extracurricular Activities	162,471	162,471	208,003	(45,532)
<b>Total Disbursements</b>	<b>8,171,996</b>	<b>8,167,009</b>	<b>8,117,755</b>	<b>49,254</b>
Excess of Receipts Under Disbursements	(616,552)	(586,735)	(432,820)	153,915
<b>Other Financing Uses:</b>				
Transfers Out	(10,000)	(139,572)	(134,681)	4,891
Changes in Fund Balance	(626,552)	(726,307)	(567,501)	158,806
Fund Balance at Beginning of Year	1,099,053	1,099,053	1,099,053	
Prior Year Encumbrances Appropriated	13,874	13,874	13,874	
<b>Fund Balance at End of Year</b>	<b>\$486,375</b>	<b>\$386,620</b>	<b>\$545,426</b>	<b>\$158,806</b>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,140</u>	<u>\$47,548</u>
<b>Net Assets:</b>		
Undistributed Assets		\$7,617
Held for Students		39,931
Held in Trust for Scholarships	<u>10,140</u>	
Total Net Assets	<u>\$10,140</u>	<u>\$47,548</u>

*See accompanying notes to the basic financial statements.*

MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
OR THE FISCAL YEAR ENDED JUNE 30, 2010

**Additions:**

Interest	\$183
Gifts and Donations	9,632
Total Additions	<u>9,815</u>

**Deductions:**

Non-instructional Services	<u>9,572</u>
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Change in Net Assets 243

Net Assets at Beginning of Year 9,897

Net Assets at End of Year \$10,140

*See accompanying notes to the basic financial statements.*

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**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Minster Local School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District serves an area of approximately thirty square miles. It is located in Auglaize, Darke, Mercer, and Shelby Counties. The School District is the 518<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-seven classified employees, sixty-two certified teaching personnel, and five administrative employees who provide services to 857 students and other community members. The School District currently operates three school buildings.

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Minster Local 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 provide 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. There are no component units of the Minster Local School District.

The School District participates in three jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Western Ohio Computer Organization, Auglaize County Educational Academy, Ohio School Plan, Mercer Auglaize School Employee Benefit Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial 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.

**1. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**2. Fund Financial Statements**

During the fiscal 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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 fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and Bond Retirement debt service fund.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Bond Retirement Fund** – The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the general obligation bonds.

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

**2. Fiduciary Funds**

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. 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 various student-managed activities and employee withholdings.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded on the financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the summary of levy funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The summary of levy funds provides the County Budget Commission information on the estimated receipts and expenditures for those funds that receive property tax revenues. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund and object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function level for the General Fund and the function and object level for all other funds are made by the Treasurer.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2010, the School District's investments consisted of a nonnegotiable certificate of deposit, which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 was \$13,014, which includes \$3,997 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets represent unexpended resources restricted for the purchase of school buses and for unclaimed monies.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**J. Net 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. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance Reserves and Designations**

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for bus purchases, unclaimed monies, and encumbrances.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for the future payment of those benefits.

**L. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

**3. COMPLIANCE**

Ohio Rev. Code Section 5705.41(D) requires the fiscal office to certify that the amount required for any expenditure that has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The District did not obtain certification of the availability of funds for all expenditures.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 monies 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 held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**5. INCOME TAXES**

The School District levies a voted tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2007, and is for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 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 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize, Darke, Mercer, and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2010 taxes were collected are:

	<b>2009 Second- Half Collections</b>		<b>2010 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$115,565,330	99.15%	\$117,692,110	99.16%
Public Utility	994,670	.85	992,030	.84
Total Assessed Value	<u>\$116,560,000</u>	<u>100.00%</u>	<u>\$118,684,140</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.87		\$52.87	

**7. RISK MANAGEMENT**

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. During fiscal year 2010, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability		
Per Occurrence	\$5,000,000	
Aggregate	7,000,000	
Automobile Liability	5,000,000	
Building and Contents		36,491,012
Earthquake		20,000,000
Flood	5,000,000	

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2010, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Mercer Auglaize School Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and prescription drug insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$501,479, \$490,575, and \$486,477 respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010, were \$20,562 made by the School District and \$14,687 made by plan members.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$85,789, \$74,222, and \$70,062, respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**C. Social Security System**

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

**9. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** – The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Health Care 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 Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$40,157, \$38,400, and \$37,733, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified 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 SERS 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal 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 fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$12,413.

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 contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$3,088, \$33,968, and \$31,971 respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$5,102, \$6,124, and \$5,048 respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred ten days for all employees. Upon retirement, payment is made for 25 percent of their accrued but unused sick leave credit to a maximum of sixty-five days for all employees.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**10. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Health Care Benefits**

The School District provides employee medical, dental, and prescription drug benefits through the Mercer Auglaize School Employee Benefit Trust. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

The School District also provides vision insurance to all employees through Vision Service Plan and life insurance and accidental death and dismemberment insurance through Metropolitan Educational Council.

**C. Separation Benefit**

The School District provides a separation benefit to eligible certified and classified employees. In order to be eligible, the employee must:

1. Have a total of twenty-five through thirty years of service credit;
2. Have a total of at least six years of service credit in the Minster Local School District;
3. Give written notice to the Superintendent by no later than April 1 of the year he/she first becomes eligible for full retirement under STRS/SERS; and
4. Show receipt of his/her retirement benefits from STRS/SERS.

Employees meeting the requirements shall receive an amount equal to one day of severance pay for each year of service to the School District, not to exceed twenty-five through thirty days. The School District will pay the incentive in a one time lump sum payment within sixty days after all of the eligibility criteria are satisfied. The School District did not have an outstanding liability for separation benefits at June 30, 2010.

**11. LONG-TERM OBLIGATIONS**

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

<b>Governmental Activities:</b>	<b>Balance at 6/30/09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/10</b>	<b>Amounts Due Within One Year</b>
General Obligations Bonds:					
2000 School Improvement					
Serial Bonds 4.40 – 4.90%	\$ 985,000		\$470,000	\$ 515,000	\$515,000
Capital Appreciation Bonds	329,664			329,664	
Total 2000 School Improvement Bonds	<u>1,314,664</u>		<u>470,000</u>	<u>844,664</u>	<u>515,000</u>
2005 School Improvement Refunding					
Serial Bonds 3.00 – 4.50%	4,210,000		145,000	4,065,000	150,000
Term Bonds 4.25 – 4.50%	4,850,000			4,850,000	
Capital Appreciation Bonds	89,991			89,991	
Total 2005 School Improvement Refunding Bonds	<u>9,149,991</u>		<u>145,000</u>	<u>9,004,991</u>	<u>150,000</u>
Total Governmental Activities Long-Term Obligations	<u>\$10,464,655</u>	<u>\$0</u>	<u>\$615,000</u>	<u>\$9,849,655</u>	<u>\$665,000</u>



**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

**2000 School Improvement General Obligation Bonds** – On October 1, 2000, the School District issued \$14,024,664 in voted general obligation bonds for constructing and equipping a middle school, constructing additions to, renovating, and improving existing school buildings and facilities, and acquiring land. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$9,850,000, \$3,845,000, and \$329,664, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2027. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. During fiscal year 2005, the School District refunded \$9,850,000 in term bonds.

The serial bonds maturing after December 1, 2010, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2002, at redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date fixed for redemption.

<b>Redemption dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2011 through 2014. The maturity amount for the bonds is \$2,080,000.

**2005 Refunding School Improvement General Obligation Bonds** – On April 13, 2005, the School District issued \$9,849,991 in general obligation bonds to refund \$9,850,000 in term bonds of the 2000 School Improvement general obligation bonds. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$4,910,000, \$4,850,000, and \$89,991, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2028. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. As of June 30, 2010, \$9,850,000 of the refunded bonds were still outstanding.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2019, in the amount of \$715,000, (with the balance of \$745,000 to be paid at stated maturity on December 1, 2020), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021, in the amount of \$780,000, (with the balance of \$835,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023, in the amount of \$870,000, (with the balance of \$905,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

The capital appreciation bonds will mature in fiscal years 2012 through 2018. The maturity amount for the bonds is \$2,505,000.

The School District's overall debt margin was \$1,197,208 with an unvoted debt margin of \$117,696 at June 30, 2010.

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

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Serial</b>		<b>Term</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 665,000	\$ 187,293		\$ 212,581
2012	155,000	169,144		212,582
2013	160,000	163,237		212,581
2014		160,238		212,582
2015		160,237		212,581
2016-2020	705,000	756,244	\$ 715,000	1,047,712
2021-2025		651,375	4,135,000	478,634
2026-2027	2,895,000	196,087		
<b>Totals</b>	<b>\$4,580,000</b>	<b>\$2,443,855</b>	<b>\$4,850,000</b>	<b>\$2,589,253</b>

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds Capital Appreciation</b>	
	<b>Principal</b>	<b>Interest</b>
2011		
2012	\$101,733	\$ 418,267
2013	87,375	432,625
2014	82,864	602,136
2015	74,327	610,673
2016-2018	73,356	2,101,644
<b>Totals</b>	<b>\$419,655</b>	<b>\$4,165,345</b>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**12. 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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**12. SET ASIDES (Continued)**

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2009	(\$143,003)	
Current Year Set Aside Requirement	146,025	\$146,025
Current Year Offsets		(146,025)
Qualifying Expenditures	(117,051)	
Balance June 30, 2010	(\$114,029)	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

**13. INTERFUND TRANSFERS**

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$134,861, to pay future severance payments.

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Auglaize County Local Professional Development Committee**

The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district, and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan that will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**B. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2010, the School District paid \$54,210 to WOCO for various services. Financial information can be obtained from the Shelby County Education Service Center, 129 East Court Street, Sidney, Ohio 45365.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. Auglaize County Educational Academy**

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**15. INSURANCE POOLS**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, and a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**B. Mercer Auglaize School Employee Benefit Trust**

The School District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 5011(9) of the Internal Revenue Code and provides medical, dental, and prescription drug benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, the Huntington Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**C. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**16. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The discussion and analysis of Minster Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2009, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**Using This Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Minster Local School District, the General Fund and Bond Retirement debt service fund are the most significant funds.

**Reporting The School District As A Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

**Reporting The School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the 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 debt service fund.

Governmental Funds – All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

**The School District As A Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2009 and fiscal year 2008:

	<b>Table 1</b>		
	<b>Net Assets</b>		
	<b>2009</b>	<b>2008</b>	<b>Change</b>
<b>Assets:</b>			
Cash and Cash Equivalents	<u>\$1,791,529</u>	<u>\$1,311,688</u>	<u>\$479,841</u>
<b>Net Assets:</b>			
Restricted	604,678	533,766	70,912
Unrestricted	1,186,851	777,922	408,929
Total Net Assets	<u>\$1,791,529</u>	<u>\$1,311,688</u>	<u>\$479,841</u>

Both receipts and disbursements increased approximately 2 percent from the prior fiscal year; however, the continued excess of receipts over disbursements led to the increase in net assets.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2009 and fiscal year 2008.

**Table 2  
Change in Net Assets**

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>	<b>Change</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$ 497,140	\$ 483,624	\$ 13,516
Operating Grants and Contributions	497,959	441,375	56,584
Capital Grants and Contributions	5,002	8,849	(3,847)
Total Program Receipts	<u>1,000,101</u>	<u>933,848</u>	<u>66,253</u>
<b>General Receipts:</b>			
Property Taxes Levied for General Purposes	3,569,387	4,031,889	(462,502)
Property Taxes Levied for Recreation	13,132	15,333	(2,201)
Property Taxes Levied for Debt Service	780,809	789,619	(8,810)
Property Taxes Levied for Permanent Improvements	36,962	45,860	(8,898)
Income Taxes	684,443	475,520	208,923
Grants and Entitlements	3,912,842	3,472,637	440,205
Interest	26,032	56,416	(30,384)
Miscellaneous	123,369	129,417	(6,048)
Total General Receipts	<u>9,146,976</u>	<u>9,016,691</u>	<u>130,285</u>
Total Receipts	<u>10,147,077</u>	<u>9,950,539</u>	<u>196,538</u>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	4,127,114	4,143,360	16,246
Special	643,492	601,908	(41,584)
Vocational	222,892	222,822	(70)
<b>Support Services:</b>			
Pupils	384,696	396,184	11,488
Instructional Staff	370,418	318,230	(52,188)
Board of Education	29,817	33,084	3,267
Administration	665,535	593,338	(72,197)
Fiscal	272,022	253,088	(18,934)
Operation and Maintenance of Plant	937,902	849,547	(88,355)
Pupil Transportation	188,816	264,727	75,911
Central	61,244	55,943	(5,301)
Non-instructional Services	321,808	319,485	(2,323)
Extracurricular Activities	323,584	307,062	(16,522)
Capital Outlay	71,835	97,513	25,678
<b>Debt Service:</b>			
Principal Retirement	590,000	565,000	(25,000)
Interest and Fiscal Charges	456,061	481,374	25,313
Total Disbursements	<u>9,667,236</u>	<u>9,502,665</u>	<u>(164,571)</u>
Increase in Net Assets	479,841	447,874	31,967
Net Assets at Beginning of Year	1,311,688	863,814	447,874
Net Assets at End of Year	<u>\$1,791,529</u>	<u>\$1,311,688</u>	<u>\$479,841</u>

Program receipts increased 7 percent from the prior fiscal year with the most significant change reflected in the increase in operating grants and contributions due to increased enrollment of special education students.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

The most significant changes in general receipts include the decrease in property taxes due to the reduction and eventual elimination of tangible personal property taxes. During fiscal year 2009, the School District received 44 percent more in income tax receipts. The income tax levy began on January 1, 2007. Grants and entitlements increased from an increase in students and the per student rate in State foundation. Interest receipts were lower due to a sluggish economy.

Total disbursements increased less than 2 percent from fiscal year 2008. The increase in special education students in fiscal year 2009 increased disbursements in both special instruction and instructional staff support services. The increase in the administration program was created from the significant costs associated with litigation during fiscal year 2009. Fiscal disbursements increased from the costs associated with a two-year audit. Operations and maintenance of plant costs increased from an increase in utilities. The decrease in transportation disbursements relate to the purchase of a bus in fiscal year 2008.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<u>Total Cost Of Services</u> 2009	<u>Total Cost Of Services</u> 2008	<u>Net Cost Of Services</u> 2009	<u>Net Cost Of Services</u> 2008
<b>Instruction:</b>				
Regular	\$4,127,114	\$4,143,360	\$3,999,587	\$4,022,216
Special	643,492	601,908	290,457	288,425
Vocational	222,892	222,822	191,673	202,894
<b>Support Services:</b>				
Pupils	384,696	396,184	382,577	393,444
Instructional Staff	370,418	318,230	370,418	318,230
Board of Education	29,817	33,084	29,817	33,084
Administration	665,535	593,338	665,535	593,338
Fiscal	272,022	253,088	272,022	253,088
Operation and Maintenance of Plant	937,902	849,547	937,902	847,547
Pupil Transportation	188,816	264,727	177,726	252,899
Central	61,244	55,943	46,744	41,943
Non-instructional Services	321,808	319,485	(22,950)	(11,531)
Extracurricular Activities	323,584	307,062	207,731	189,353
Capital Outlay	71,835	97,513	71,835	97,513
<b>Debt Service:</b>				
Principal Retirement	590,000	565,000	590,000	565,000
Interest and Fiscal Charges	456,061	481,374	456,061	481,374
<b>Total Disbursements</b>	<u>\$9,667,236</u>	<u>\$9,502,665</u>	<u>\$8,667,135</u>	<u>\$8,568,817</u>

Overall, 90 percent of disbursements were paid with general receipts which is comparable to fiscal year 2008. The most significant program receipts in fiscal year 2009 relate to special instruction and food service. Special instruction is principally paid with operating grants. Food service (non-instructional services) receives federal and state funds for providing meals to students. Extracurricular activities also has significant receipts relating to sport activities and trip charges that are received to finance these activities.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund and Bond Retirement debt service fund.

There were modest increases for both receipts and disbursements in the General Fund; however, fund balance increased almost 40 percent from receipts being greater than disbursements.

Property tax receipts in the Bond Retirement debt service fund were sufficient to cover debt service requirements.

**Budgetary Highlights**

The School District prepares an annual budget of receipts and disbursements for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The School District's most significant budgeted fund is the General Fund.

For receipts and disbursements, changes from the original budget to the final budget and changes from the final budget to actual were not significant.

The budgetary statement presentation is at the function level. Since the Board of Education budgets the General Fund at the fund and object level, the negative variance amounts presented on the financial statements do not represent violations of budgetary law.

**Current Issues**

In fiscal year 2010, the School District will receive State Fiscal Stabilization Funds through the new PASS State funding formula.

During fiscal year 2009, one staff member retired and was replaced in fiscal year 2010 with a less experienced teacher. The School District added an employee to add a fourth section of third grade and to add a high school science teacher to replace one who has been retained on special placement. An additional aide for kindergarten was employed and will be paid through excess costs to the Auglaize County Educational Service Center. The School District has been awarded Title I resources for fiscal year 2010 to offset a teacher's salary normally paid by the General Fund. With the funding through the American Reinvestment and Recovery Act (ARRA), the School District has been awarded additional IDEA Part B funding. The ARRA funding will be used over the next two fiscal years to offset the excess costs for special education from the Auglaize County Educational Service Center.

A finding for recovery was issued from a federal and state audit of the Minster Community School in fiscal year 2008, in the amount of \$55,884. The School District has not received any communication from the U. S. Department of Education to make this payment.

**Request For Information**

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Laura S. Klosterman, Treasurer, 100 East Seventh Street, Minster, Ohio 45865.

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MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2009

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,791,529</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	413,854
Capital Projects	63,366
Athletics	73,625
Other Purposes	53,833
Unrestricted	1,186,851
Total Net Assets	<u>\$1,791,529</u>

*See accompanying notes to the basic financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Governmental Activities			
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$4,127,114	\$99,793	\$27,734	(\$3,999,587)
Special	643,492	8,804	344,231	(290,457)
Vocational	222,892		31,219	(191,673)
<b>Support Services:</b>				
Pupils	384,696		2,119	(382,577)
Instructional Staff	370,418			(370,418)
Board of Education	29,817			(29,817)
Administration	665,535			(665,535)
Fiscal	272,022			(272,022)
Operation and Maintenance of Plant	937,902			(937,902)
Pupil Transportation	188,816		6,088	(177,726)
Central	61,244		14,500	(46,744)
Non-instructional Services	321,808	279,961	64,797	22,950
Extracurricular Activities	323,584	108,582	7,271	(207,731)
Capital Outlay	71,835			(71,835)
<b>Debt Service:</b>				
Principal Retirement	590,000			(590,000)
Interest and Fiscal Charges	456,061			(456,061)
<b>Total Governmental Activities</b>	<b>\$9,667,236</b>	<b>\$497,140</b>	<b>\$497,959</b>	<b>\$5,002</b>
				<b>(8,667,135)</b>
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				3,569,387
Recreation				13,132
Debt Service				780,809
Permanent Improvements				36,962
Income Taxes				684,443
Grants and Entitlements not Restricted to Specific Programs				3,912,842
Interest				26,032
Miscellaneous				123,369
<b>Total General Receipts</b>				<b>9,146,976</b>
Change in Net Assets				479,841
Net Assets at Beginning of Year				1,311,688
Net Assets at End of Year				<b>\$1,791,529</b>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,102,851	\$413,854	\$264,748	\$1,781,453
<b>Restricted Assets</b>				
Equity in Pooled Cash and Cash Equivalents	10,076			10,076
<b>Total Assets</b>	<u>1,112,927</u>	<u>413,854</u>	<u>264,748</u>	<u>1,791,529</u>
<b>Fund Balances:</b>				
Reserved for Bus Purchases	7,373			7,373
Reserved for Unclaimed Monies	2,703			2,703
Reserved for Encumbrances	13,874		45,169	59,043
Unreserved, Designated for Termination Benefits			84,000	84,000
<b>Unreserved, Undesignated Reported in:</b>				
General Fund	1,088,977			1,088,977
Special Revenue Funds			105,120	105,120
Debt Service Fund		413,854		413,854
Capital Projects Funds			30,459	30,459
<b>Total Fund Balances</b>	<u>\$1,112,927</u>	<u>\$413,854</u>	<u>\$264,748</u>	<u>\$1,791,529</u>

*See accompanying notes to the basic financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>General</b>	<b>Bond Retirement</b>	<b>Other Governmental</b>	<b>Total</b>
<b>Receipts:</b>				
Property Taxes	\$3,569,387	\$780,809	\$50,094	\$4,400,290
Income Taxes	684,443			684,443
Intergovernmental	3,786,507	323,987	292,203	4,402,697
Interest	26,029		3	26,032
Tuition and Fees	108,597			108,597
Charges for Services			279,961	279,961
Extracurricular Activities			108,582	108,582
Gifts and Donations	2,619		10,487	13,106
Miscellaneous	96,146		27,223	123,369
<b>Total Receipts</b>	<b>8,273,728</b>	<b>1,104,796</b>	<b>768,553</b>	<b>10,147,077</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,103,710		23,404	4,127,114
Special	482,417		161,075	643,492
Vocational	222,892			222,892
<b>Support Services:</b>				
Pupils	384,696			384,696
Instructional Staff	365,958		4,460	370,418
Board of Education	28,929		888	29,817
Administration	664,560		975	665,535
Fiscal	253,279	16,953	1,790	272,022
Operation and Maintenance of Plant	932,014		5,888	937,902
Pupil Transportation	188,816			188,816
Central	47,244		14,000	61,244
Non-instructional Services			321,808	321,808
Extracurricular Activities	198,816		124,768	323,584
Capital Outlay			71,835	71,835
<b>Debt Service:</b>				
Principal Retirement		590,000		590,000
Interest and Fiscal Charges		456,061		456,061
<b>Total Disbursements</b>	<b>7,873,331</b>	<b>1,063,014</b>	<b>730,891</b>	<b>9,667,236</b>
<b>Excess of Receipts Over Disbursements</b>	<b>400,397</b>	<b>41,782</b>	<b>37,662</b>	<b>479,841</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In			84,000	84,000
Transfers Out	(84,000)			(84,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(84,000)</b>		<b>84,000</b>	
<b>Changes in Fund Balances</b>	<b>316,397</b>	<b>41,782</b>	<b>121,662</b>	<b>479,841</b>
<b>Fund Balances at Beginning of Year</b>	<b>796,530</b>	<b>372,072</b>	<b>143,086</b>	<b>1,311,688</b>
<b>Fund Balances at End of Year</b>	<b>\$1,112,927</b>	<b>\$413,854</b>	<b>\$264,748</b>	<b>\$1,791,529</b>

See accompanying notes to the basic financial statements.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Receipts:</b>				
Property Taxes	\$3,518,740	\$3,546,487	\$3,569,387	\$22,900
Income Taxes	600,000	684,400	684,443	43
Intergovernmental	3,697,121	3,795,302	3,786,507	(8,795)
Interest	50,000	25,000	26,029	1,029
Tuition and Fees	137,127	110,103	108,597	(1,506)
Gifts and Donations	2,500	3,650	2,619	(1,031)
Miscellaneous	95,877	104,702	96,146	(8,556)
Total Receipts	<u>8,101,365</u>	<u>8,269,644</u>	<u>8,273,728</u>	<u>4,084</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,141,112	4,117,692	4,103,725	13,967
Special	415,438	415,438	482,417	(66,979)
Vocational	218,315	218,865	222,992	(4,127)
<b>Support Services:</b>				
Pupils	471,755	626,335	384,696	241,639
Instructional Staff	263,854	272,903	365,958	(93,055)
Board of Education	30,948	30,948	29,139	1,809
Administration	605,813	607,826	667,193	(59,367)
Fiscal	244,836	258,323	253,379	4,944
Operation and Maintenance of Plant	900,225	929,645	937,020	(7,375)
Pupil Transportation	166,714	184,944	194,626	(9,682)
Central	37,708	37,708	47,244	(9,536)
Extracurricular Activities	189,617	200,217	198,816	1,401
Total Disbursements	<u>7,686,335</u>	<u>7,900,844</u>	<u>7,887,205</u>	<u>13,639</u>
Excess of Receipts Over Disbursements	415,030	368,800	386,523	17,723
<b>Other Financing Uses:</b>				
Transfers Out	<u>(84,000)</u>	<u>(84,000)</u>	<u>(84,000)</u>	
Changes in Fund Balance	331,030	284,800	302,523	17,723
Fund Balance at Beginning of Year	784,945	784,945	784,945	
Prior Year Encumbrances Appropriated	<u>11,585</u>	<u>11,585</u>	<u>11,585</u>	
Fund Balance at End of Year	<u>\$1,127,560</u>	<u>\$1,081,330</u>	<u>\$1,099,053</u>	<u>\$17,723</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$9,897</u>	<u>\$53,606</u>
<b>Net Assets:</b>		
Undistributed Assets		9,684
Held for Students		43,922
Held in Trust for Scholarships	<u>9,897</u>	
Total Net Assets	<u>\$9,897</u>	<u>\$53,606</u>

*See accompanying notes to the basic financial statements.*

MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Additions:**

Interest	\$190
Gifts and Donations	9,728
Total Additions	<u>9,918</u>

**Deductions:**

Non-instructional Services	<u>10,257</u>
Change in Net Assets	(339)
Net Assets at Beginning of Year	<u>10,236</u>
Net Assets at End of Year	<u><u>\$9,897</u></u>

*See accompanying notes to the basic financial statements.*

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**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Minster Local School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District serves an area of approximately thirty square miles. It is located in Auglaize, Darke, Mercer, and Shelby Counties. The School District is the 517<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-six classified employees, sixty certified teaching personnel, and five administrative employees who provide services to 917 students and other community members. The School District currently operates three school buildings.

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Minster Local 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 provide 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. There are no component units of the Minster Local School District.

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Western Ohio Computer Organization, Auglaize County Educational Academy, Auglaize County Special Needs School, Ohio School Plan, Mercer Auglaize School Employee Benefit Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial 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.

**1. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**2. Fund Financial Statements**

During the fiscal 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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 fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and Bond Retirement debt service fund.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Bond Retirement Fund** – The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the general obligation bonds.

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

**2. Fiduciary Funds**

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. 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 various student-managed activities and employee withholdings.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded on the financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the summary of levy funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The summary of levy funds provides the County Budget Commission information on the estimated receipts and expenditures for those funds that receive property tax revenues. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund and object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function level for the General Fund and the function and object level for all other funds are made by the Treasurer.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2009, the School District's investments consisted of a nonnegotiable certificate of deposit, which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 was \$26,029, which includes \$7,999 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets represent unexpended resources restricted for the purchase of school buses and for unclaimed monies.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.



**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**J. Net 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. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance Reserves and Designations**

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for bus purchases, unclaimed monies, and encumbrances.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for the future payment of those benefits.

**L. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

**3. COMPLIANCE**

Ohio Rev. Code Section 5705.41(D) requires the fiscal office to certify that the amount required for any expenditure that has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The District did not obtain certification of the availability of funds for all expenditures.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 monies 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 held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**5. INCOME TAXES**

The School District levies a voted tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2007, and is for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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

	<b>2008 Second- Half Collections</b>		<b>2009 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$106,590,670	89.83%	\$115,565,330	99.15%
Public Utility	961,440	.81	994,670	.85
Tangible Personal	11,100,700	9.36		
Total Assessed Value	<u>\$118,652,810</u>	<u>100.00%</u>	<u>\$116,560,000</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.57		\$52.87	

**7. RISK MANAGEMENT**

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. During fiscal year 2009, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$5,000,000
Aggregate	7,000,000
Automobile Liability	5,000,000
Building and Contents	35,435,785
Earthquake	20,000,000
Flood	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2009, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Mercer Auglaize School Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical, dental, and prescription drug insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$490,575, \$486,477, and \$478,872 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions for the DCP and CP for the fiscal year ended June 30, 2009, were \$8,625 made by the School District and \$10,173 made by plan members.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$74,222, \$70,062, and \$66,885, respectively; 47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**C. Social Security System**

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

**9. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** – The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Health Care 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 Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$38,400, \$37,733, and \$36,838, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified 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 SERS 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal 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 fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was \$12,320.

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 contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$33,968, \$31,971, and \$22,206 respectively; 47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$6,124, \$5,048, and \$4,548 respectively; 47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred ten days for all employees. Upon retirement, payment is made for 25 percent of their accrued but unused sick leave credit to a maximum of sixty-five days for all employees.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Health Care Benefits**

The School District provides employee medical, dental, and prescription drug benefits through the Mercer Auglaize School Employee Benefit Trust. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

The School District also provides vision insurance to all employees through Vision Service Plan and life insurance and accidental death and dismemberment insurance through Metropolitan Educational Council.

**C. Separation Benefit**

The School District provides a separation benefit to eligible certified and classified employees. In order to be eligible, the employee must:

1. Have a total of twenty-five through thirty years of service credit;
2. Have a total of at least six years of service credit in the Minster Local School District;
3. Give written notice to the Superintendent by no later than April 1 of the year he/she first becomes eligible for full retirement under STRS/SERS; and
4. Show receipt of his/her retirement benefits from STRS/SERS.

Employees meeting the requirements shall receive an amount equal to one day of severance pay for each year of service to the School District, not to exceed twenty-five through thirty days. The School District will pay the incentive in a one time lump sum payment within sixty days after all of the eligibility criteria are satisfied. The School District did not have an outstanding liability for separation benefits at June 30, 2009.

**11. LONG-TERM OBLIGATIONS**

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

<b>Governmental Activities:</b>	<b>Balance at 6/30/2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/2009</b>	<b>Amounts Due Within One Year</b>
General Obligation Bonds					
2000 School Improvement					
Serial Bonds 4.40 – 4.90%	\$ 1,435,000		\$450,000	\$ 985,000	\$470,000
Capital Appreciation Bonds	329,664			329,664	
Total 2000 School Improvement Bonds	<u>1,764,664</u>		<u>450,000</u>	<u>1,314,664</u>	<u>470,000</u>
2005 School Improvement Refunding					
Serial Bonds 3.00 – 4.50%	4,350,000		140,000	4,210,000	145,000
Term Bonds 4.25 – 4.50%	4,850,000			4,850,000	
Capital Appreciation Bonds	89,991			89,991	
Total 2005 School Improvement Refunding Bonds	<u>9,289,991</u>		<u>140,000</u>	<u>9,149,991</u>	<u>145,000</u>
<b>Total Governmental Activities Long-Term Obligations</b>	<b><u>\$11,054,655</u></b>	<b><u>\$0</u></b>	<b><u>\$590,000</u></b>	<b><u>\$10,464,655</u></b>	<b><u>\$615,000</u></b>



**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

**2000 School Improvement General Obligation Bonds** – On October 1, 2000, the School District issued \$14,024,664 in voted general obligation bonds for constructing and equipping a middle school, constructing additions to, renovating, and improving existing school buildings and facilities, and acquiring land. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$9,850,000, \$3,845,000, and \$329,664, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2028. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. During fiscal year 2005, the School District refunded \$9,850,000 in term bonds.

The serial bonds maturing after December 1, 2010, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2002, at redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date fixed for redemption.

<b>Redemption dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2011 through 2014. The maturity amount for the bonds is \$2,080,000.

**2005 Refunding School Improvement General Obligation Bonds** – On April 13, 2005, the School District issued \$9,849,991 in general obligation bonds to refund \$9,850,000 in term bonds of the 2000 School Improvement general obligation bonds. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$4,910,000, \$4,850,000, and \$89,991, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2027. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. As of June 30, 2009, \$9,850,000 of the refunded bonds were still outstanding.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2019, in the amount of \$715,000, (with the balance of \$745,000 to be paid at stated maturity on December 1, 2020), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021, in the amount of \$780,000, (with the balance of \$835,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023, in the amount of \$870,000, (with the balance of \$905,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

The capital appreciation bonds will mature in fiscal years 2012 through 2018. The maturity amount for the bonds is \$2,505,000.

The School District's overall debt margin was \$350,401 with an un-voted debt margin of \$115,569 at June 30, 2009.

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

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Serial</b>		<b>Term</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 615,000	\$ 216,470		\$ 212,581
2011	665,000	187,293		212,581
2012	155,000	169,144		212,582
2013	160,000	163,237		212,581
2014		160,238		212,582
2015-2019	705,000	786,206		1,062,906
2020-2024		651,375	\$3,945,000	655,659
2025-2027	2,895,000	326,362	905,000	20,363
<b>Totals</b>	<b>\$5,195,000</b>	<b>\$2,660,325</b>	<b>\$4,850,000</b>	<b>\$2,801,835</b>

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds Capital Appreciation</b>	
	<b>Principal</b>	<b>Interest</b>
2010		
2011		
2012	\$101,733	\$ 418,267
2013	87,375	432,625
2014	82,864	602,136
2015-2018	147,683	2,712,317
<b>Totals</b>	<b>\$419,655</b>	<b>\$4,165,345</b>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**12. 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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**12. SET ASIDES (Continued)**

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2008	(\$ 65,035)	
Current Year Set Aside Requirement	140,397	\$140,397
Current Year Offsets		(140,397)
Qualifying Expenditures	(218,365)	
Balance June 30, 2009	(\$143,003)	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

**13. INTERFUND TRANSFERS**

During fiscal year 2009, the General Fund made transfers to other governmental funds, in the amount of \$84,000, to pay future severance payments.

**14. JOINTLY GOVERNED ORGANIZATIONS**

**B. Auglaize County Local Professional Development Committee**

The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district, and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan that will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**B. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2009, the School District paid \$50,716 to WOCO for various services. Financial information can be obtained from the Shelby County Education Service Center, 129 East Court Street, Sidney, Ohio 45365.

**C. Auglaize County Educational Academy**

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. Auglaize County Special Needs School**

The School District is a participant in the Auglaize County Special Needs School (ACSNS), which is a community school. The ACSNS is an association of the school districts within Auglaize County to provide a special education program for kindergarten through twelfth grade students with multiple handicapped, emotionally disturbed, or autistic needs. The governing board of the ACSNS consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**15. INSURANCE POOLS**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, and a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**B. Mercer Auglaize School Employee Benefit Trust**

The School District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501©(9) of the Internal Revenue Code and provides medical, dental, and prescription drug benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, the Huntington Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**C. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**16. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. A finding, in the amount of \$55,884, has been made on state and federal grants paid for the operations of Minster Community School, a former discretely component unit of the School District.

**B. Litigation**

The School District is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
National School Lunch Program	10.555	\$62,895		\$62,895	
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$41,544		\$42,311
Total National School Lunch Program		<u>62,895</u>	<u>41,544</u>	<u>62,895</u>	<u>42,311</u>
Total U. S. Department of Agriculture		<u>62,895</u>	<u>41,544</u>	<u>62,895</u>	<u>42,311</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Title 1 Grants to Local Educational Agencies	84.010	26,863		26,863	
Special Education Cluster:					
Special Education Grants to States	84.027	141,301		141,301	
Special Education Grants to States, Recovery Act	84.391	81,169		81,169	
Total Special Education Cluster		<u>222,470</u>		<u>222,470</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	1,616		1,616	
Education Technology State Grants	84.318	241		241	
Improving Teacher Quality State Grants	84.367	19,476		19,476	
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	<u>154,374</u>		<u>154,374</u>	
Total U. S. Department of Education		<u>425,040</u>		<u>425,040</u>	
Total Federal Financial Assistance		<u>\$487,935</u>	<u>\$41,544</u>	<u>\$487,935</u>	<u>\$42,311</u>

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# 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*

Minster Local School District  
Auglaize County  
100 East Seventh Street  
Minster, Ohio 45865

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minster Local School District, Auglaize County, (the District) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 16, 2011.

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

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

Dave Yost  
Auditor of State

March 16, 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 IN ACCORDANCE WITH OMB CIRCULAR A-133

Minster Local School District  
Auglaize County  
100 East Seventh Street  
Minster, Ohio 45865

To the Board of Education:

### Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained 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 types of 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 Minster Local School District, Auglaize County, 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 fiscal year ended June 30, 2010.

### Internal Control Over Compliance

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

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**Internal Control Over Compliance  
(Continued)**

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 above. 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, 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

March 16, 2011

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Treasurer is attached thereto. The Treasurer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**"Then and Now" certificate** – If the Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

**Blanket certificate** – Treasurers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**Super Blanket certificate** – The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The School District did not properly certify the availability of funds prior to purchase commitment for 18 out of 60, or 30 percent, of disbursement transactions tested and the aforementioned exceptions were not utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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

**FINDING NUMBER 2010-001  
(Continued)**

Unless the preceding exceptions are applicable, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the School District's funds exceeding budgetary spending limitations, the School District's Treasurer should certify that the funds are or will be available prior to the obligation by the School District. When prior certification is not possible, "then and now" certification should be used.

The School District should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the School District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**OFFICIALS' RESPONSE:**

We did not receive a response from Officials to this finding.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Minster Local School District  
Auglaize County  
100 East Seventh Street  
Minster, Ohio 45865

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district 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."

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 22, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 6) A procedure for documenting any prohibited incident that is reported;
  - 7) A procedure for responding to and investigating any reported incident;

- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Dave Yost**  
Auditor of State

March 16, 2011



# Dave Yost • Auditor of State

**MINISTER LOCAL SCHOOL DISTRICT**

**AUGLAIZE 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  
MAY 10, 2011**