

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

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

LAURA KLOSTERMAN, TREASURER



Dave Yost • Auditor of State

Board of Education
Minster Local School District
100 East Seventh Street
Minster, Ohio 45865

We have reviewed the *Independent Accountants' Report* of the Minster Local School District, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 30, 2014

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**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.
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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Minster Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Minster Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03(B) requires the Minster Local School 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 the Minster Local School District, Auglaize County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

As disclosed in Note 3, the Minster Local School District had a prior period restatement to reclassify funds to reflect their use and restrictions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the Minster Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Board of Education
Minster Local School District

We conducted our audit to opine on the Minster Local School District's financial statements taken as a whole. Management's Discussion and Analysis on pages 4 through 9 includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However, these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Julian & Grube, Inc.
December 19, 2013

Minster Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012, 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 nonmajor 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 2012, 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, contributions, and interest 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 2012 and fiscal year 2011:

	Table 1 Net Assets		
	2012	2011	Change
<u>Assets:</u>			
Cash and Cash Equivalents	\$1,257,186	\$1,182,255	\$74,931
<u>Net Assets:</u>			
Restricted	\$770,742	\$709,010	\$61,732
Unrestricted	486,444	473,245	13,199
Total Net Assets	\$1,257,186	\$1,182,255	\$74,931

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

Total net assets increased by over 6 percent. The most significant increase was in restricted net assets from an increase in property taxes receipts levied for debt service requirements.

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

Table 2
Change in Net Assets

	Governmental Activities		Change
	2012	2011	
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$475,368	\$471,707	\$3,661
Operating Grants, Contributions, and Interest	685,816	649,662	36,154
Capital Grants and Contributions	0	4,000	(4,000)
Total Program Receipts	<u>1,161,184</u>	<u>1,125,369</u>	<u>35,815</u>
General Receipts			
Property Taxes Levied for General Purposes	3,285,163	3,164,239	120,924
Property Taxes Levied for Recreation	11,600	11,204	396
Property Taxes Levied for Debt Service	815,005	765,305	49,700
Property Taxes Levied for Permanent Improvements	29,934	28,909	1,025
Income Taxes	644,002	520,674	123,328
Payment in Lieu of Taxes	45,445	0	45,445
Grants and Entitlements	3,757,243	4,039,437	(282,194)
Interest	3,892	6,792	(2,900)
Miscellaneous	125,355	128,415	(3,060)
Total General Receipts	<u>8,717,639</u>	<u>8,664,975</u>	<u>52,664</u>
Total Receipts	<u>9,878,823</u>	<u>9,790,344</u>	<u>88,479</u>
<u>Disbursements:</u>			
Instruction:			
Regular	4,053,348	4,074,636	21,288
Special	653,932	558,734	(95,198)
Vocational	211,414	178,517	(32,897)
Support Services:			
Pupils	700,803	568,535	(132,268)
Instructional Staff	325,256	504,532	179,276
Board of Education	30,215	31,728	1,513
Administration	546,069	653,330	107,261
Fiscal	251,638	204,765	(46,873)
Operation and Maintenance of Plant	906,025	987,276	81,251
Pupil Transportation	235,071	201,258	(33,813)
Central	63,869	57,870	(5,999)
			(continued)

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

Table 2
Change in Net Assets
(continued)

	Governmental Activities 2012	Governmental Activities 2011	Change
<u>Disbursements:</u> (continued)			
Noninstructional Services	\$320,147	\$309,998	(\$10,149)
Extracurricular Activities	383,564	352,906	(30,658)
Capital Outlay	65,816	33,799	(32,017)
Debt Service:			
Principal Retirement	256,733	665,000	408,267
Interest and Fiscal Charges	799,992	399,874	(400,118)
Total Disbursements	<u>9,803,892</u>	<u>9,782,758</u>	<u>(21,134)</u>
Increase in Net Assets	74,931	7,586	67,345
Net Assets at Beginning of Year	1,182,255	1,174,669	7,586
Net Assets at End of Year	<u>\$1,257,186</u>	<u>\$1,182,255</u>	<u>\$74,931</u>

Program receipts increased slightly from the prior fiscal year.

The change in general receipts was not significant; however, there were significant increases in income tax and payment in lieu of taxes receipts and a significant decrease in grants and entitlements. On January 1, 2012, the rate collected for school income tax increased from .5 percent to 1 percent increasing income tax receipts by almost 24 percent. The School District entered into a community reinvestment area tax abatement agreement for ten years and started collecting the receipts in fiscal year 2012. Grants and entitlements decreased with the elimination of the state fiscal stabilization funds and the reduction of State foundation receipts based upon the bridge formula.

Total disbursements increased slightly; however, there were significant changes by program. Special instruction disbursements increased due to an increase in excess costs paid to the Auglaize County Educational Service Center for services and changing a remedial program teacher position from part-time to full-time. Disbursements related to vocational instruction increased due to replacing a teacher at a higher rate of pay. Pupil costs increased from extended days contracts for two guidance counselors. Instructional staff costs decreased from the costs associated with aides provided by the Auglaize County Educational Service Center. Administration disbursements decreased from the elimination of one administrator due to vacating the elementary school. Fiscal costs increased from allocating a portion of the costs for a secretary into this program, along with an increase in auditor and treasurer fees for the collection of real estate taxes. Operation and maintenance of plant costs decreased from vacating the elementary school. Pupil transportation costs increased from additional repairs to buses, additional payments for substitute bus drivers, and the payment of overtime. Central costs increased due to an increase in data acquisition charges. Extracurricular activities costs increased from hiring four coaches previously eliminated in fiscal year 2007. Capital outlay disbursements increased from the Board of Education's commitment to expend funds on classroom technology matched in part by a community grant donation.

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

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

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$4,053,348	\$4,074,636	\$3,786,045	\$3,714,786
Special	653,932	558,734	269,275	315,345
Vocational	211,414	178,517	179,718	142,821
Support Services:				
Pupils	700,803	568,535	700,803	568,535
Instructional Staff	325,256	504,532	325,256	504,532
Board of Education	30,215	31,728	30,215	31,728
Administration	546,069	653,330	545,353	653,330
Fiscal	251,638	204,765	251,638	204,765
Operation and Maintenance of Plant	906,025	987,276	906,025	987,276
Pupil Transportation	235,071	201,258	228,654	196,515
Central	63,869	57,870	60,269	46,045
Noninstructional Services	320,147	309,998	(25,215)	(21,979)
Extracurricular Activities	383,564	352,906	262,031	215,017
Capital Outlay	65,816	33,799	65,816	33,799
Debt Service:				
Principal Retirement	256,733	665,000	256,733	665,000
Interest and Fiscal Charges	799,992	399,874	799,992	399,874
Total Disbursements	<u>\$9,803,892</u>	<u>\$9,782,758</u>	<u>\$8,642,608</u>	<u>\$8,657,389</u>

General receipts paid for 88 percent of all disbursements which is comparable to fiscal year 2011. The most significant program receipts in fiscal year 2012 relate to special instruction and food service. Special instruction is principally paid for with operating grants. Food service (noninstructional 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 slightly.

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

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 receipts and disbursements 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

During fiscal year 2012, the Board of Education and the Minster Teacher's Association approved a two-year agreement on salaries and benefits. For fiscal year 2013, there is a zero percent increase on the base salary and employees will pay 10 percent of health benefits beginning July 1, 2012. In addition, the agreement changed language to read that all health plans offered by the Mercer Auglaize School Employee Benefit Trust will be available to employees. If an employee accepts the alternate PPO rather than the traditional PPO, the full-time employee will not pay any portion of the premium until that premium exceeds the Board's share of the traditional PPO plan. This provision will save the School District approximately \$130 per month per employee that opted to change plans. To date, nineteen employees have changed plans.

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, 50 East Seventh Street, Minster, Ohio 45865.

Minster Local School District
Statement of Net Assets - Cash Basis
June 30, 2012

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,257,186
<u>Net Assets</u>	
Restricted for:	
Debt Service	552,520
Capital Projects	46,548
Athletics	10,960
Food Service	82,614
Other Purposes	78,100
Unrestricted	486,444
Total Net Assets	\$1,257,186

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities</u>				
Instruction:				
Regular	\$4,053,348	\$72,468	\$194,835	(\$3,786,045)
Special	653,932	16,115	368,542	(269,275)
Vocational	211,414	0	31,696	(179,718)
Support Services:				
Pupils	700,803	0	0	(700,803)
Instructional Staff	325,256	0	0	(325,256)
Board of Education	30,215	0	0	(30,215)
Administration	546,069	0	716	(545,353)
Fiscal	251,638	0	0	(251,638)
Operation and Maintenance				
of Plant	906,025	0	0	(906,025)
Pupil Transportation	235,071	0	6,417	(228,654)
Central	63,869	0	3,600	(60,269)
Noninstructional Services	320,147	269,982	75,380	25,215
Extracurricular Activities	383,564	116,803	4,630	(262,131)
Capital Outlay	65,816	0	0	(65,816)
Debt Service:				
Principal Retirement	256,733	0	0	(256,733)
Interest and Fiscal Charges	799,992	0	0	(799,992)
Total Governmental Activities	<u>\$9,803,892</u>	<u>\$475,368</u>	<u>\$685,816</u>	<u>(8,642,708)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	3,285,163
Recreation	11,600
Debt Service	815,005
Permanent Improvements	29,934
Income Taxes	644,002
Payment in Lieu of Taxes	45,445
Grants and Entitlements not Restricted to Specific Progra	3,757,243
Interest	3,892
Miscellaneous	<u>125,355</u>
Total General Receipts	8,717,639
Change in Net Assets	74,931
Net Assets at Beginning of Year	<u>1,182,255</u>
Net Assets at End of Year	<u>\$1,257,186</u>

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2012

	General	Bond Retirement	Other Governmental	Total
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$486,444	\$552,520	\$208,146	\$1,247,110
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	10,076	0	0	10,076
Total Assets	<u>\$496,520</u>	<u>\$552,520</u>	<u>\$208,146</u>	<u>\$1,257,186</u>
<u>Fund Balances</u>				
Nonspendable	\$2,703	\$0	\$0	\$2,703
Restricted	7,373	552,520	208,146	768,039
Assigned	73,317	0	0	73,317
Unassigned	413,127	0	0	413,127
Total Fund Balances	<u>\$496,520</u>	<u>\$552,520</u>	<u>\$208,146</u>	<u>\$1,257,186</u>

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental	Total
<u>Receipts</u>				
Property Taxes	\$3,285,163	\$815,005	\$41,534	\$4,141,702
Income Taxes	644,002	0	0	644,002
Payment in Lieu of Taxes	45,445	0	0	45,445
Intergovernmental	3,637,972	337,218	416,269	4,391,459
Interest	3,892	0	175	4,067
Tuition and Fees	88,583	0	0	88,583
Charges for Services	0	0	269,982	269,982
Extracurricular Activities	0	0	116,803	116,803
Gifts and Donations	11,066	0	40,359	51,425
Miscellaneous	125,355	0	0	125,355
Total Receipts	7,841,478	1,152,223	885,122	9,878,823
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	4,008,273	0	45,075	4,053,348
Special	490,249	0	163,683	653,932
Vocational	211,414	0	0	211,414
Support Services:				
Pupils	567,890	0	132,913	700,803
Instructional Staff	323,172	0	2,084	325,256
Board of Education	30,215	0	0	30,215
Administration	546,069	0	0	546,069
Fiscal	231,303	19,347	988	251,638
Operation and Maintenance of Plant	899,468	0	6,557	906,025
Pupil Transportation	235,071	0	0	235,071
Central	60,269	0	3,600	63,869
Noninstructional Services	0	0	320,147	320,147
Extracurricular Activities	244,261	0	139,303	383,564
Capital Outlay	0	0	65,816	65,816
Debt Service:				
Principal Retirement	0	256,733	0	256,733
Interest and Fiscal Charges	0	799,992	0	799,992
Total Disbursements	7,847,654	1,076,072	880,166	9,803,892
Excess of Receipts Over (Under) Disbursements	(6,176)	76,151	4,956	74,931
<u>Other Financing Sources (Uses)</u>				
Advances In	0	0	10,000	10,000
Advances Out	(10,000)	0	0	(10,000)
Total Other Financing Sources (Uses)	(10,000)	0	10,000	0
Changes in Fund Balances	(16,176)	76,151	14,956	74,931
Fund Balances at Beginning of Year - Restated (Note 3)	512,696	476,369	193,190	1,182,255
Fund Balances at End of Year	\$496,520	\$552,520	\$208,146	\$1,257,186

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$3,163,190	\$3,163,190	\$3,285,163	\$121,973
Income Taxes	644,002	644,002	644,002	0
Payment in Lieu of Taxes	45,000	45,000	45,445	445
Intergovernmental	3,631,405	3,631,405	3,637,972	6,567
Interest	4,000	4,000	3,892	(108)
Tuition and Fees	90,145	90,145	88,583	(1,562)
Gifts and Donations	6,090	6,090	11,066	4,976
Miscellaneous	107,360	107,360	125,355	17,995
Total Receipts	7,691,192	7,691,192	7,841,478	150,286
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	4,133,890	4,180,616	4,072,423	108,193
Special	491,575	491,575	490,299	1,276
Vocational	206,397	206,397	211,464	(5,067)
Support Services:				
Pupils	670,598	700,198	567,890	132,308
Instructional Staff	220,758	220,758	325,666	(104,908)
Board of Education	26,928	26,778	30,355	(3,577)
Administration	492,986	492,986	546,966	(53,980)
Fiscal	217,562	238,080	231,548	6,532
Operation and Maintenance of Plant	873,205	873,205	906,365	(33,160)
Pupil Transportation	200,091	200,091	238,621	(38,530)
Central	64,807	64,807	60,269	4,538
Extracurricular Activities	246,258	246,258	244,261	1,997
Total Disbursements	7,845,055	7,941,749	7,926,127	15,622
Excess of Receipts				
Under Disbursements	(153,863)	(250,557)	(84,649)	165,908
<u>Other Financing Use</u>				
Advances Out	0	(10,000)	(10,000)	0
Changes in Fund Balance	(153,863)	(260,557)	(94,649)	165,908
Fund Balance at Beginning of Year	459,867	459,867	459,867	0
Prior Year Encumbrances Appropriated	52,829	52,829	52,829	0
Fund Balance at End of Year	\$358,833	\$252,139	\$418,047	\$165,908

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Cash Basis Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$63,679</u>
<u>Net Assets</u>	
Undistributed Assets	\$7,096
Held for Students	<u>56,583</u>
Total Net Assets	<u>\$63,679</u>

See accompanying notes to the basic financial statements

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 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 520th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-five classified employees, sixty certified teaching personnel, and four administrative employees who provide services to 888 students and other community members. The School District currently operates two school buildings.

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 17 and 18 to the basic financial statements.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 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. 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.

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 receipts) 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, contributions, and interest 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.

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

Governmental Funds

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

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 property taxes and related resources restricted for 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, committed, or assigned to a particular purpose.

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 does not have any trust funds. 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 for 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.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 resolution of 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.

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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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 2012, the School District's investments consisted of nonnegotiable certificates of deposit, which are 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 2012 was \$3,892, which includes \$2,094 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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.

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 through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for 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

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

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

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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. 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. Interfund activity between governmental funds are eliminated on the statement of net assets - cash basis and the statement of activities - cash basis.

Note 3 - Restatement of Fund Balance

For fiscal year 2012, the School District reclassified funds to appropriately reflect their use and restrictions.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The restatement had the following effect on fund balance:

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2011	\$483,321	\$476,369	\$222,565	\$1,182,255
Change in Fund Structure	29,375	0	(29,375)	0
Adjusted Fund Balance at June 30, 2011	\$512,696	\$476,369	\$193,190	\$1,182,255

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$78,473.

Note 5 - 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;

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

Note 6 - 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 expired on December 31, 2011. In May 2011, the School District passed a 1 percent traditional base income tax for five years beginning collection in January 2012. 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.

Note 7 - 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.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$119,088,490	99.11%	\$122,261,170	99.10%
Public Utility	1,075,480	.89	1,107,850	.90
Total Assessed Value	<u>\$120,163,970</u>	<u>100.00%</u>	<u>\$123,369,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.97		\$53.17	

Note 8 - Payment in Lieu of Taxes

According to State law, the Village of New Bremen has entered into agreements with a number of property owners under which the Village has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the Village which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreements expire.

Note 9 - Interfund Activity

During fiscal year 2012, the School District made a cash advances from the General Fund to other governmental funds, in the amount of \$10,000. Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore no advances are reported in the statement of activities - cash basis.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 - 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 2012, 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	45,937,040
Earthquake	20,000,000

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 2012, 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.

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$458,186 and \$683 for the fiscal year ended June 30, 2012, \$470,420 and \$748 for the fiscal year ended June 30, 2011, and \$501,479 and \$2,406 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$14,765 made by the School District and \$10,547 made by the plan members. In addition, member contributions of \$488 were made for fiscal year 2012 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$77,212, \$77,903, and \$85,789, respectively. For fiscal year 2012, 27 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$36,433, \$37,318, and \$40,157, respectively. For fiscal year 2012, 83 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each 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 105(e). For fiscal year 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$10,586 in surcharge.

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, 2012, 2011, and 2010 was \$3,344, \$9,433, and \$3,088, respectively. For fiscal year 2012, 27 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, 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, 2012, 2011, and 2010 was \$4,560, \$5,013, and \$5,102, respectively. For fiscal year 2012, 27 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

Note 13 - 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 accrued but unused sick leave credit to a maximum of sixty-five days for all employees.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 American United Life Insurance Company.

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.

Note 14 - Long-Term Obligations

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

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2000 School Improvement					
Capital Appreciation Bonds	\$329,664	\$0	\$101,733	\$227,931	\$87,375
2005 School Improvement Refunding					
Serial Bonds 3.00 - 4.50%	3,915,000	0	155,000	3,760,000	160,000
Term Bonds 4.25 - 4.50%	4,850,000	0	0	4,850,000	0
Capital Appreciation Bonds	89,991	0	0	89,991	0
Total 2005 School Improvement Refunding Bonds	8,854,991	0	155,000	8,699,991	160,000
Total Governmental Activities Long-Term Obligations	\$9,184,655	\$0	\$256,733	\$8,927,922	\$247,375

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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

The capital appreciation bonds mature in fiscal years 2012 through 2014. At June 30, 2012, the maturity amount for the remaining capital appreciation bonds is \$1,560,000.

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, 2012, all of the refunded bonds were paid.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The capital appreciation bonds mature in fiscal years 2014 through 2018. The maturity amount for the bonds is \$2,505,000.

The School District's overall debt margin was \$2,628,511 with an unvoted debt margin of \$122,266 at June 30, 2012.

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

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2013	\$160,000	\$163,237	\$0	\$212,581
2014	0	160,238	0	212,581
2015	0	160,237	0	212,582
2016	0	160,238	0	212,581
2017	0	160,237	0	212,581
2018-2022	705,000	696,319	2,240,000	922,382
2023-2027	1,935,000	565,313	2,610,000	178,803
2028	960,000	21,600	0	0
Totals	\$3,760,000	\$2,087,419	\$4,850,000	\$2,164,091

Fiscal Year Ending	General Obligation Bonds Capital Appreciation	
	Principal	Interest
2013	\$87,375	\$432,625
2014	82,864	602,136
2015	74,327	610,673
2016	29,928	695,072
2017	22,149	702,851
2018	21,279	703,721
Totals	\$317,922	\$3,747,078

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.

Note 15 - Fund Balance

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable for:				
Unclaimed Monies	\$2,703	\$0	\$0	\$2,703
Restricted for:				
Athletics and Music	0	0	10,960	10,960
Bus Purchase	7,373	0	0	7,373
Capital Improvements	0	0	46,548	46,548
Debt Service	0	552,520	0	552,520
Food Service Operations	0	0	82,614	82,614
Recreation	0	0	32,205	32,205
Regular Instruction	0	0	35,819	35,819
Total Restricted	7,373	552,520	208,146	768,039
Assigned for:				
Educational Activities	53,615	0	0	53,615
Food Service Operations	705	0	0	705
Unpaid Obligations	18,997	0	0	18,997
Total Assigned	73,317	0	0	73,317
Unassigned	413,127	0	0	413,127
Total Fund Balance	\$496,520	\$552,520	\$208,146	\$1,257,186

Note 16 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve capital improvements during fiscal year 2012.

	Capital Improvements
Balance June 30, 2011	\$0
Current Year Set Aside Requirement	146,933
Current Year Offsets	(146,933)
Balance June 30, 2012	\$0

Note 17 - 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 from 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 2012, the School District paid \$53,443 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.

Note 18 - 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.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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(c)(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, 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 Corporate One, 220 Perry Street, Suite 200, Fostoria, Ohio 44830.

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.

Note 19 - Contingencies

A. Grants

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

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

B. Litigation

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Accountant's 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 Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Minster Local School District's basic financial statements and have issued our report thereon dated December 19, 2013, wherein we noted the Minster Local School District uses a comprehensive accounting basis other than generally accepted accounting principles and had a prior period restatement to reclassify fund balances to reflect their use and restrictions. 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 Minster Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Minster Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Minster Local School 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 Minster Local School 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.

Board of Education
Minster Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Minster Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instance of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Minster Local School District, and others within the Minster Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 19, 2013

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-MLSD-001	31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months after year end. The District expended \$530,246 in federal awards in 2010, but did not file their reporting packets with the Federal Audit Clearinghouse by the required filing deadline of March 30, 2011.	Yes	N/A

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Dave Yost • Auditor of State

MINSTER 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
FEBRUARY 13, 2014**