

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

**CASH BASIS BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Minster Local School District, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 10, 2020

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis 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, 2018, and the related notes to the financial statements, which collectively comprise the Minster Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Minster Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Minster Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, 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 and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minster Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 3, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The management's discussion and analysis of the Minster Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2018, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- The total net cash position of the School District increased \$1,974,080 or 14.08% from fiscal year 2017.
- General cash receipts accounted for \$12,624,118 or 89.72% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,446,164 or 10.28% of total governmental activities cash receipts.
- The School District had \$12,096,202 in cash disbursements related to governmental activities; \$1,446,164 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities of \$12,624,118 were adequate to provide for these programs.
- The School District's major funds are the general fund, the bond retirement fund, and the classroom facilities fund. The general fund had cash receipts of \$10,239,415 during fiscal year 2018. The cash disbursements and other financing uses of the general fund totaled \$9,320,320 in 2018. The general fund's cash balance increased \$919,095 or 18.15% from 2017 to 2018.
- The bond retirement fund had cash receipts and other financing sources of \$1,845,225 during fiscal year 2018. The cash disbursements of the bond retirement fund totaled \$1,689,925 during fiscal year 2018. The bond retirement fund's cash balance increased \$155,300 or 11.23% from 2017 to 2018.
- The classroom facilities fund had \$1,474,337 in cash receipts. The cash disbursements of the classroom facilities fund totaled \$651,743 during fiscal year 2018. The classroom facilities fund cash balance increased \$822,594 or 12.12% from 2017 to 2018.

Using the Basic Financial Statements (BFS)

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, there are two major governmental funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Reporting the School District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2018?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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 collected) and 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 in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include School District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement fund, and classroom facilities fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets.

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 in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

The School District's only fiduciary fund is an agency fund. The School District's fiduciary activities are reported in a separate statement of fiduciary net position cash basis. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net cash position at June 30, 2018 and June 30, 2017.

	Net Cash Position	
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 15,989,662	\$ 14,015,582
Total assets	<u>15,989,662</u>	<u>14,015,582</u>
<u>Net Cash Position</u>		
Restricted	9,910,180	8,926,641
Unrestricted	<u>6,079,482</u>	<u>5,088,941</u>
Total net cash position	<u>\$ 15,989,662</u>	<u>\$ 14,015,582</u>

The total net cash position of the School District increased \$1,974,080 which represents a 14.08% increase from fiscal year 2017. The balance of government-wide unrestricted net cash position of \$6,079,482 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The table below shows the changes in net cash position for fiscal year 2018 and 2017.

	Change in Net Cash Position	
	Governmental	Governmental
	Activities	Activities
	<u>2018</u>	<u>2017</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 782,374	\$ 702,284
Operating grants and contributions	<u>663,790</u>	<u>688,314</u>
Total program cash receipts	<u>1,446,164</u>	<u>1,390,598</u>
General cash receipts:		
Property and other taxes	6,459,568	6,030,952
Unrestricted grants:		
Operating	5,901,559	4,497,871
Proceeds of bonds issued	-	7,100,000
Premium on bonds issued	-	376,955
Investment earnings	71,549	18,650
Other	<u>191,442</u>	<u>259,003</u>
Total general cash receipts	<u>12,624,118</u>	<u>18,283,431</u>
Total cash receipts	<u>\$ 14,070,282</u>	<u>\$ 19,674,029</u>

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Change in Net Cash Position (Continued)

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 4,605,856	\$ 4,765,978
Special	921,238	731,667
Vocational	128,687	137,175
Support services:		
Pupil	770,717	700,749
Instructional staff	219,957	234,511
Board of education	26,619	41,960
Administration	597,073	477,359
Fiscal	281,377	252,564
Operations and maintenance	966,465	900,162
Pupil transportation	257,499	297,497
Central	18,408	21,642
Operation of non instructional services	8,299	15,650
Food service operations	419,336	383,610
Extracurricular	510,164	442,960
Facilities acquisition and construction	677,357	498,458
Debt service:		
Principal retirement	568,451	68,729
Interest and fiscal charges	419,978	1,073,336
Accreted interest on CABs	698,721	-
	<u>12,096,202</u>	<u>11,044,007</u>
Total cash disbursements		
Change in net cash position	1,974,080	8,630,022
Net cash position at beginning of year	<u>14,015,582</u>	<u>5,385,560</u>
Net cash position at end of year	<u>\$ 15,989,662</u>	<u>\$ 14,015,582</u>

Governmental Activities

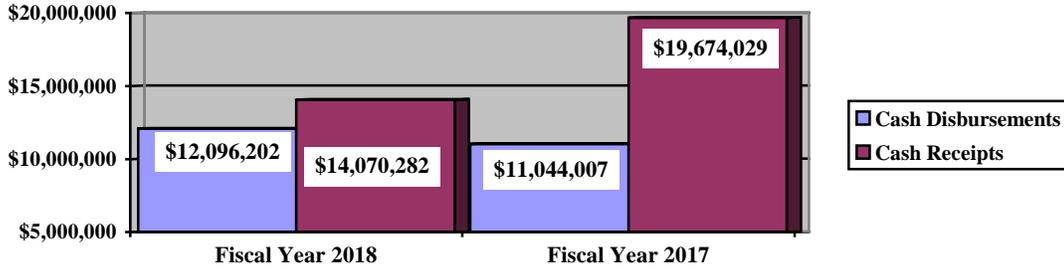
Governmental net cash position increased by \$1,974,080 during fiscal year 2018. Total governmental disbursements of \$12,096,202 were offset by program receipts of \$1,446,164 and general receipts of \$12,624,118. Program receipts supported 11.96% of the total governmental disbursements. The largest governmental disbursement was instructional which totaled \$5,655,781.

The primary sources of receipts for governmental activities are derived from taxes, unrestricted grants and entitlements and bond refunding issuance and premiums. These receipt sources represent 87.85% of total governmental receipts. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

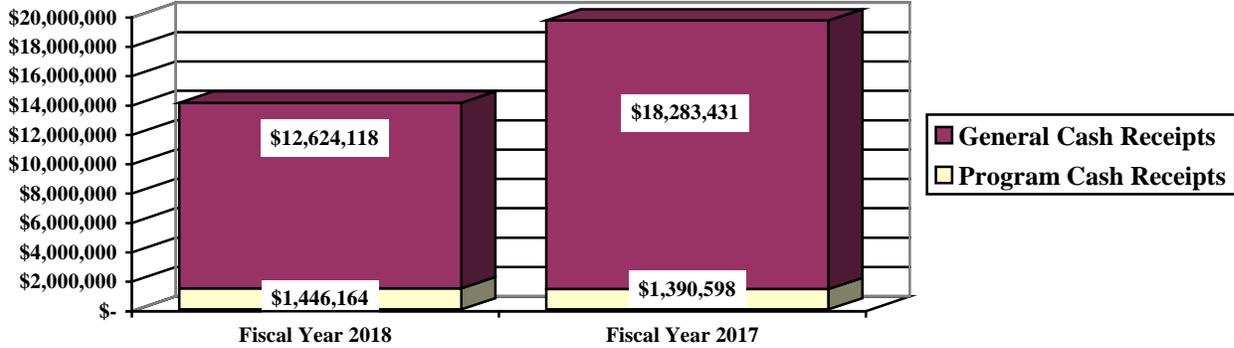
	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Cash disbursements:				
Instruction:				
Regular	\$ 4,605,856	\$ 4,302,944	\$ 4,765,978	\$ 4,525,187
Special	921,238	568,120	731,667	351,789
Vocational	128,687	60,834	137,175	75,121
Support services:				
Pupil	770,717	703,632	700,749	630,339
Instructional staff	219,957	209,889	234,511	217,060
Board of education	26,619	26,619	41,960	41,960
Administration	597,073	595,128	477,359	474,890
Fiscal	281,377	281,377	252,564	252,564
Operations and maintenance	966,465	947,937	900,162	897,084
Pupil transportation	257,499	257,499	297,497	289,504
Central	18,408	18,408	21,642	21,642
Operation of non instructional services	8,299	8,299	15,650	15,650
Food service operations	419,336	20,041	383,610	(22,340)
Extracurricular	510,164	284,804	442,960	242,436
Facilities acquisition and construction	677,357	677,357	498,458	498,458
Debt service:				
Principal retirement	568,451	568,451	68,729	68,729
Interest and fiscal charges	419,978	419,978	1,073,336	1,073,336
Accreted interest on CABs	698,721	698,721	-	-
Total	\$ 12,096,202	\$ 10,650,038	\$ 11,044,007	\$ 9,653,409

The dependence upon general cash receipts for governmental activities is apparent; with 88.04% of cash disbursements supported through general cash receipts during 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities - General and Program Cash Receipt



Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund cash balance of \$15,989,662, which is \$1,974,080 higher than last year's total of \$14,015,582. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2018</u>	Fund Cash Balance <u>June 30, 2017</u>	<u>Change</u>
General	\$ 5,984,341	\$ 5,065,246	\$ 919,095
Bond retirement fund	1,538,235	1,382,935	155,300
Classroom facilities	7,607,677	6,785,083	822,594
Other nonmajor governmental funds	<u>859,409</u>	<u>782,318</u>	<u>77,091</u>
Total	<u>\$ 15,989,662</u>	<u>\$ 14,015,582</u>	<u>\$ 1,974,080</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

General Fund

The general fund's cash balance increased \$919,095 or 18.15% during fiscal year 2018.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 5,348,607	\$ 5,020,085	6.54 %
Tuition and fees	286,660	222,706	28.72 %
Earnings on investments	45,236	18,650	142.55 %
Extracurricular	-	1,842	- %
Other local revenues	200,982	259,363	(22.51) %
Intergovernmental	<u>4,357,930</u>	<u>4,446,925</u>	(2.00) %
Total	<u>\$ 10,239,415</u>	<u>\$ 9,969,571</u>	2.71 %

Overall, general fund cash receipts remained consistent with prior year, with an increase of 2.71%. The increase in tuition and fees of 28.72% was due to an increase in open enrollment.

The table that follows assists in illustrating the disbursements of the general fund.

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 5,485,341	\$ 5,474,334	0.20 %
Support services	3,026,243	2,811,291	7.65 %
Extracurricular	270,510	271,862	(0.50) %
Facilities acquisition and construction	750	137,480	(99.45) %
Debt service	<u>13,476</u>	<u>13,476</u>	- %
Total	<u>\$ 8,796,320</u>	<u>\$ 8,708,443</u>	1.01 %

Facilities acquisitions and construction decreased by 99.45% due to decreased maintenance and repairs throughout the School District. All other disbursements remained consistent with prior year.

Bond Retirement Fund

The bond retirement fund had cash receipts and other financing sources of \$1,845,225 during fiscal year 2018. The cash disbursements of the bond retirement fund totaled \$1,689,925 during fiscal year 2018. The bond retirement fund's cash balance increased \$155,300 or 11.23% from 2017 to 2018.

Classroom Facilities Fund

The classroom facilities fund had cash receipts of \$1,474,337 during fiscal year 2018, and the fund had \$651,743 of disbursements. The classroom facilities fund's cash balance increased \$822,594 or 12.12% from 2017 to 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Budgeting Highlights - General Fund

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budgetary basis receipts and other financing sources of \$9,586,099 were greater than the original budget estimates and other financing sources of \$6,116,414. Actual cash receipts and other financing sources of \$10,151,415 were greater than final budget estimates and other financing sources by \$565,316.

The final budgetary disbursement and other financing uses of \$9,260,368 were higher than original budgetary basis disbursements and other financing uses of \$9,214,205. The actual budgetary basis disbursements and other financing uses of \$9,415,705 were \$155,337 greater than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$677,357 during fiscal year 2018.

Debt Administration

At June 30, 2018, the School District had \$14,825,000 in general obligation refunding bonds outstanding and \$19,436 in capital lease obligations outstanding. Of this total \$1,157,795 is due within one year and \$13,686,641 is due in more than one year.

The following table summarizes the obligations outstanding.

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
General obligation refunding bonds	\$ 8,225,000	\$ 8,281,279
School facilities construction and improvement bond	6,600,000	7,100,000
Capital lease obligations	<u>19,436</u>	<u>31,608</u>
Total long-term obligations	<u>\$ 14,844,436</u>	<u>\$ 15,412,887</u>

Refer to Note 14 to the basic financial statements for further detail.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Current Financial Related Activities

During fiscal year 2014, the Board of Education and the Minister Teacher's Association approved a three-year contract. The economic package included raises of the base salary of 2 percent, 2.5 percent, and 2 percent for contract years 2015, 2016 and 2017, respectively. The employees covered under the alternate PPO health insurance, high deductible health plan, and minimum value HDHP coverage's will pay 5 percent, 7 percent and 10 percent, respectively. The Mercer-Auglaize Area School Employee Welfare Benefit Trust board voted to offer one dental plan, effective January 1, 2015. In July 2014, the Board of Education adopted a new salary schedule for classified employees. If the adoption of the new schedule creates a reduction in salary, the employee will remain on the old schedule. All those benefitting from the new salary schedule and all new hires will be on the new salary schedule.

The School District began one to one technology in the 5th and 9th classrooms during 2016-2017 school year.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Laura S. Klosterman, Treasurer, Minster LSD, 50 East Seventh Street, Minster, Ohio 45865.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 15,989,662
 Total assets.	 15,989,662
 Net position:	
Restricted for:	
Capital projects	8,086,914
Classroom facilities maintenance	114,915
Debt service.	1,493,980
Federally funded programs	1,212
Student activities	63,305
Other purposes	149,854
Unrestricted	6,079,482
Total net cash position	\$ 15,989,662

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Receipts		Net (Disbursement) Receipt and Change in Net Cash Position Governmental Activities
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 4,605,856	\$ 264,110	\$ 38,802	\$ (4,302,944)
Special	921,238	22,550	330,568	(568,120)
Vocational	128,687	-	67,853	(60,834)
Support services:				
Pupil	770,717	-	67,085	(703,632)
Instructional staff	219,957	-	10,068	(209,889)
Board of education	26,619	-	-	(26,619)
Administration	597,073	-	1,945	(595,128)
Fiscal	281,377	-	-	(281,377)
Operations and maintenance	966,465	16,868	1,660	(947,937)
Pupil transportation	257,499	-	-	(257,499)
Central	18,408	-	-	(18,408)
Operation of non-instructional services:				
Other non-instructional services	8,299	-	-	(8,299)
Food service operations	419,336	325,552	73,743	(20,041)
Extracurricular activities	510,164	153,294	72,066	(284,804)
Facility acquisition and construction	677,357	-	-	(677,357)
Debt service:				
Principal retirement	568,451	-	-	(568,451)
Interest and fiscal charges	419,978	-	-	(419,978)
Accreted interest on CABs	698,721	-	-	(698,721)
Total governmental activities	\$ 12,096,202	\$ 782,374	\$ 663,790	\$ (10,650,038)
General receipts:				
Property taxes levied for:				
General purposes				3,700,078
Debt service				994,960
Capital outlay				33,805
Recreation				13,102
Classroom facilities maintenace				69,094
Income taxes levied for:				
General purposes				1,648,529
Grants and entitlements not restricted to specific programs				5,901,559
Investment earnings				71,549
Miscellaneous				191,442
Total general receipts				12,624,118
Change in net cash position				1,974,080
Net cash position at beginning of year				14,015,582
Net cash position at end of year				\$ 15,989,662

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash assets:					
Equity in pooled cash and cash equivalents.	\$ 5,984,341	\$ 1,538,235	\$ 7,607,677	\$ 859,409	\$ 15,989,662
Total cash assets	<u>\$ 5,984,341</u>	<u>\$ 1,538,235</u>	<u>\$ 7,607,677</u>	<u>\$ 859,409</u>	<u>\$ 15,989,662</u>
Fund cash balances:					
Restricted:					
Debt service	\$ -	\$ 1,538,235	\$ -	\$ -	\$ 1,538,235
Capital improvements	-	-	7,607,677	479,072	8,086,749
Classroom facilities maintenance	-	-	-	114,915	114,915
Food service operations	-	-	-	166,193	166,193
Other purposes.	-	-	-	11,811	11,811
Extracurricular.	-	-	-	63,305	63,305
Committed:					
Adult education	-	-	-	24,618	24,618
Termination benefits.	1	-	-	-	1
Assigned:					
Student instruction	82,687	-	-	-	82,687
Student and staff support.	73,316	-	-	-	73,316
School supplies	32,429	-	-	-	32,429
Other purposes.	26,651	-	-	-	26,651
Unassigned (deficit)	5,769,257	-	-	(505)	5,768,752
Total cash fund balances	<u>\$ 5,984,341</u>	<u>\$ 1,538,235</u>	<u>\$ 7,607,677</u>	<u>\$ 859,409</u>	<u>\$ 15,989,662</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:					
From local sources:					
Property taxes	\$ 3,700,078	\$ 994,960	\$ -	\$ 116,001	\$ 4,811,039
Income taxes	1,648,529	-	-	-	1,648,529
Tuition	220,262	-	-	-	220,262
Earnings on investments	45,236	-	26,207	284	71,727
Charges for services	-	-	-	332,880	332,880
Extracurricular	-	-	-	153,294	153,294
Classroom materials and fees	66,398	-	-	-	66,398
Rental income	9,540	-	-	-	9,540
Contributions and donations	32,343	-	-	40,479	72,822
Other local revenues	159,099	-	-	57,011	216,110
Intergovernmental - state	4,357,930	350,265	1,448,130	15,812	6,172,137
Intergovernmental - federal	-	-	-	295,544	295,544
Total cash receipts	<u>10,239,415</u>	<u>1,345,225</u>	<u>1,474,337</u>	<u>1,011,305</u>	<u>14,070,282</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	4,566,856	-	-	39,000	4,605,856
Special	789,798	-	-	131,440	921,238
Vocational	128,687	-	-	-	128,687
Support services:					
Pupil	703,632	-	-	67,085	770,717
Instructional staff	209,623	-	-	10,334	219,957
Board of education	26,619	-	-	-	26,619
Administration	595,048	-	-	2,025	597,073
Fiscal	263,233	16,251	-	1,893	281,377
Operations and maintenance	952,181	-	-	14,284	966,465
Pupil transportation	257,499	-	-	-	257,499
Central	18,408	-	-	-	18,408
Operation of non-instructional services:					
Other operation of non-instructional	-	-	-	8,299	8,299
Food service operations	-	-	-	419,336	419,336
Extracurricular activities	270,510	-	-	239,654	510,164
Facilities acquisition and construction	750	-	651,743	24,864	677,357
Debt service:					
Principal retirement	12,172	556,279	-	-	568,451
Interest and fiscal charges	1,304	418,674	-	-	419,978
Accreted interest on CABs	-	698,721	-	-	698,721
Total cash disbursements	<u>8,796,320</u>	<u>1,689,925</u>	<u>651,743</u>	<u>958,214</u>	<u>12,096,202</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>1,443,095</u>	<u>(344,700)</u>	<u>822,594</u>	<u>53,091</u>	<u>1,974,080</u>
Other financing sources (uses):					
Transfers in	-	500,000	-	-	500,000
Transfers (out)	(500,000)	-	-	-	(500,000)
Advances in	-	-	-	24,000	24,000
Advances (out)	(24,000)	-	-	-	(24,000)
Total other financing sources (uses)	<u>(524,000)</u>	<u>500,000</u>	<u>-</u>	<u>24,000</u>	<u>-</u>
Net change in fund balances	919,095	155,300	822,594	77,091	1,974,080
Fund cash balances at beginning of year	<u>5,065,246</u>	<u>1,382,935</u>	<u>6,785,083</u>	<u>782,318</u>	<u>14,015,582</u>
Fund cash balances at end of year	<u>\$ 5,984,341</u>	<u>\$ 1,538,235</u>	<u>\$ 7,607,677</u>	<u>\$ 859,409</u>	<u>\$ 15,989,662</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ -	\$ 3,342,497	\$ 3,700,078	\$ 357,581
Income taxes.	1,584,879	1,600,207	1,648,529	48,322
Tuition.	176,853	213,397	220,262	6,865
Earnings on investments	20,000	40,939	45,236	4,297
Classroom materials and fees	45,000	47,079	48,145	1,066
Rental income	9,000	5,720	9,540	3,820
Contributions and donations	22,100	25,401	23,863	(1,538)
Other local revenues	263,795	60,657	72,945	12,288
Intergovernmental - state	3,991,787	4,230,203	4,357,930	127,727
Total budgetary basis receipts	<u>6,113,414</u>	<u>9,566,099</u>	<u>10,126,528</u>	<u>560,429</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	4,875,066	4,861,011	4,598,095	262,916
Special.	571,967	756,142	790,996	(34,854)
Vocational.	136,798	126,708	134,270	(7,562)
Support services:				
Pupil.	699,370	731,713	703,632	28,081
Instructional staff	173,215	159,740	247,055	(87,315)
Board of education	24,286	22,253	28,198	(5,945)
Administration.	552,942	539,844	597,245	(57,401)
Fiscal	284,233	262,705	263,711	(1,006)
Operations and maintenance.	869,310	804,042	977,481	(173,439)
Pupil transportation	273,085	267,354	262,123	5,231
Central.	17,404	17,384	18,408	(1,024)
Extracurricular activities.	191,972	185,972	269,480	(83,508)
Facilities acquisition and construction	806	750	750	(0)
Total budgetary basis disbursements	<u>8,670,455</u>	<u>8,735,618</u>	<u>8,891,444</u>	<u>(155,826)</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(2,557,041)</u>	<u>830,481</u>	<u>1,235,084</u>	<u>404,603</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	17,000	17,002	2
Transfers (out).	(543,750)	(500,750)	(500,261)	489
Advances (out)	-	(24,000)	(24,000)	-
Sale of assets	3,000	3,000	7,885	4,885
Total other financing sources (uses)	<u>(540,750)</u>	<u>(504,750)</u>	<u>(499,374)</u>	<u>5,376</u>
Net change in fund balance	(3,097,791)	325,731	735,710	409,979
Fund balance at beginning of year	<u>5,019,760</u>	<u>5,019,760</u>	<u>5,019,760</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,921,969</u>	<u>\$ 5,345,491</u>	<u>\$ 5,755,470</u>	<u>\$ 409,979</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 80,020
	80,020
Total assets.	\$ 80,020
Liabilities:	
Undistributed assets	\$ 5,076
Due to Students	74,944
	79,944
Total liabilities	\$ 80,020

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Minster Local School District (the "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 497th largest in the State of Ohio (among 610 school districts) in terms of enrollment. It is staffed by 40 classified employees, 60 certified teaching personnel, and 5 administrative employees who provide services to 936 students and other community members. The School District currently operates two school buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. 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 Area School Employee Welfare Benefit Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

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

The government-wide statement of activities - cash basis presents a comparison between direct disbursements and program receipts for each function or program of the governmental activities of the School District. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts are presented as general receipts of the School District.

All assets and net position associated with the operation of the School District are included on the statement of net position - cash basis.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

C. 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, Bond Retirement debt service fund and Classroom Facilities capital project 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.

Classroom Facilities Fund - The Classroom Facilities fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission (OFCC) for the building and equipping of classroom facilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the School District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 primarily for various student-managed activities.

D. Basis of Accounting

Although required by Ohio Administrative Code §117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

E. 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 disbursements for those funds that receive property tax receipts. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 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.

F. 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 2018, the School District's investments consisted of negotiable and nonnegotiable certificates of deposit, Federal Farm Credit Bank (FFCB) securities, Federal National Mortgage Association (FNMA) securities, and Federal Home Loan Mortgage Corporation (FHLMC) securities 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 2018 was \$45,236, which includes \$18,960 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
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions.

Assets restricted for other purposes represent unexpended resources restricted for unclaimed monies. The School District had no restricted assets at June 30, 2018.

H. Capital Assets

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

I. 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.

J. 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.

K. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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 position is available. Net cash position restricted for other purposes primarily represents resources for use in the School District's food service.

L. 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 are imposed by law through constitutional provisions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

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.

M. 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.

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the School District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the School District's postemployment benefit plan disclosures, as presented in Note 11 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Improving Teacher Quality	\$ 505

The general fund is liable for any deficit in this fund and provides transfers when cash is required.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

Ohio Administrative Code, 117-2-03(B), requires that the School District prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). For fiscal year 2018, the School District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

The School District had noncompliance with Ohio Administrative Code Section 117-2-02(C)(1) for not integrating legal budgetary measures into its accounting system; noncompliance with Ohio Revised Code Section 5705.40 for not properly amending its appropriations throughout the fiscal year; and noncompliance with Ohio Revised Code Section 5705.41(B) for expenditures in excess of appropriations.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 can 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the School District had \$8,895 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$12,243,865 and the bank balance of all District deposits was \$12,287,148. Of the bank balance, \$10,943,974 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$1,343,174 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2018, the School District had the following investments and maturities:

Investment type	Carrying Value	Investment Maturities	
		6 months or less	7 to 12 months
Government Agency Bonds	\$ 1,486,922	\$ 1,486,922	\$ -
Negotiable CD's	2,330,000	2,080,000	250,000
Total	<u>\$ 3,816,922</u>	<u>\$ 3,566,922</u>	<u>\$ 250,000</u>

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investments of negotiable certificates of deposit were not rated. The School District has no investment policy dealing with investments credit risk beyond the requirements in State statutes. The School District's investments in government agency bonds were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The following table includes the percentage of each investment type held by the School District at June 30, 2018:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of total</u>
Government Agency Bonds	\$ 1,486,922	39%
Neogtiable CD's	2,330,000	61%
Total	<u>\$ 3,816,922</u>	<u>100%</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position - Cash Basis

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2018:

<u>Cash and Investments per note</u>	
Carrying amount of deposits	\$ 12,243,865
Investments	3,816,922
Cash on hand	8,895
Total	<u>\$ 16,069,682</u>

<u>Cash and Cash Equivalents per Statement of Net Position - Cash Basis</u>	
Governmental activities	\$ 15,989,662
Agency funds	80,020
Total	<u>\$ 16,069,682</u>

NOTE 5 - INCOME TAXES

The School District levied a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2012, and expired on December 31, 2016. The tax was renewed with a fifteen-year term expiring on December 31, 2031. 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 receipts are credited to the General Fund.

NOTE 6 - PROPERTY TAXES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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 advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 142,149,410	98.94	\$ 151,746,790	98.95
Public utility personal	<u>1,518,690</u>	<u>1.06</u>	<u>1,607,440</u>	<u>1.05</u>
Total	<u>\$ 143,668,100</u>	<u>100.00</u>	<u>\$ 153,354,230</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$69.27		\$52.87	

NOTE 7 - 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 8 - INTERFUND BALANCES

A. Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	
Bond Retirement fund	\$ 500,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - INTERFUND BALANCES - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or (1) budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities - cash basis. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

B. Interfund transactions for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

Advances from general fund to:

Nonmajor governmental funds	\$ 24,000
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The purpose of the advance is to fund student activities across the School District.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore, no advances are reported on the statement of activities.

NOTE 9 - 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.

For fiscal year 2018, 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.

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.

The School District participates in the Mercer-Auglaize Area School Employee Welfare 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 and dental 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 School Boards Association 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 workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$130,097 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$579,888 for fiscal year 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.02679350%	0.03631616%	
Proportion of the net pension liability current measurement date	<u>0.02717830%</u>	<u>0.03541556%</u>	
Change in proportionate share	<u>0.00038480%</u>	<u>-0.00090060%</u>	
Proportionate share of the net pension liability	\$ 1,623,843	\$ 8,413,042	\$ 10,036,885

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 2,253,473	\$ 1,623,843	\$ 1,096,400

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS; investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$ 12,059,810	\$ 8,413,042	\$ 5,341,187

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$14,179.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$18,997 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.02741480%	0.03541556%	
Proportion of the net OPEB liability current measurement date	<u>0.02741480%</u>	<u>0.03541556%</u>	
Change in proportionate share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 735,741	\$ 1,381,784	\$ 2,117,525

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u><u>100.00 %</u></u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$ 888,501	\$ 735,741	\$ 614,716

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$ 596,999	\$ 735,741	\$ 919,369

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$ 1,855,023	\$ 1,381,784	\$ 1,007,771
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 960,005	\$ 1,381,784	\$ 1,936,896

NOTE 12 - 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 sixty 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Health Care Benefits

The School District provides employee medical, dental, and prescription drug benefits through the Mercer-Auglaize Area School Employee Welfare 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 or more years of experience;
2. Have a total of at least ten years of service credit in the Minster Local School District;
3. Give written notice to the Superintendent by no later than March 1 of the year he/she first becomes eligible for full retirement under STRS/SERS; and,
4. Effective at the end of fiscal year: cannot leave in middle of fiscal year; and,
5. 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 in education, not to exceed 30 days. The School District will pay the incentive in a onetime lump sum payment within sixty days after all of the eligibility criteria are satisfied.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2015, the School District entered into capital leases for copiers. The terms of each lease agreement provide an option to purchase the copier. These leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service disbursements in the statement of cash receipts, cash disbursements and changes in fund cash balances - governmental funds. These disbursements are reflected as program/function disbursements on a budgetary basis. Principal payments in the 2018 fiscal year totaled \$12,172. This amount is reflected as debt service principal retirement in the general fund.

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	13,476
2020	<u>6,738</u>
Total minimum lease payments	20,214
Less: amount representing interest	<u>(778)</u>
 Total	 <u>\$ 19,436</u>

NOTE 14 - LONG-TERM OBLIGATIONS

The table that follows summarizes the changes in the School District's long-term obligations during fiscal year 2018.

	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital appreciation bonds	\$ 21,279	\$ -	\$ (21,279)	\$ -	\$ -
Capital appreciation Bond Accretion	619,273	79,448	(698,721)	-	-
Series 2015 school improvement refunding bonds:					
Current interest bonds	8,260,000	-	(35,000)	8,225,000	740,000
Series 2017 School Facilities					
Construction and Improvement bond	7,100,000	-	(500,000)	6,600,000	405,000
Capital lease obligation	<u>31,608</u>	<u>-</u>	<u>(12,172)</u>	<u>19,436</u>	<u>12,795</u>
Total governmental activities	<u>\$ 16,032,160</u>	<u>\$ 79,448</u>	<u>\$ (1,267,172)</u>	<u>\$ 14,844,436</u>	<u>\$ 1,157,795</u>

2015 School Improvement Refunding General Obligation Bonds - On March 11, 2015, the School District issued \$8,410,000 in school improvement general obligation refunding bonds to advance refund \$8,450,000 of the school improvement bonds dated April 13, 2005. The debt issue is comprised of current interest serial bonds (par value \$8,410,000). The interest rate on the current interest serial bonds ranges from 2.00 – 3.5 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity state in the issue is December 1, 2027. The net proceeds of the 2015 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United State Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The capital appreciation portion of the 2005 bonds matured in 2016, 2017 and 2018.

2017 School Facilities Construction and Improvement General Obligation Bonds - On June 14, 2017, the School District issued \$7,100,000 in school improvement general obligation bonds. The interest rate on the bonds ranges from 2.00 – 4.00 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity state in the issue is December 1, 2031.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	<u>Series 2015 School Improvement Refunding Bonds</u>	
	<u>Current Interest Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 740,000	\$ 245,700
2020	745,000	149,000
2021	760,000	134,100
2022	780,000	178,350
2023	820,000	129,125
2024 - 2028	<u>4,380,000</u>	<u>412,463</u>
Total	<u>\$ 8,225,000</u>	<u>\$ 1,248,738</u>

Fiscal Year Ending June 30,	<u>School Facilities Construction and Improvement Bonds, Series 2017</u>	
	<u>Current Interest Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 405,000	\$ 122,000
2020	415,000	113,900
2021	425,000	158,400
2022	430,000	97,100
2023	440,000	88,500
2024 - 2028	2,335,000	448,325
2029 - 2032	<u>2,150,000</u>	<u>121,975</u>
Total	<u>\$ 6,600,000</u>	<u>\$ 1,150,200</u>

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.

During fiscal year 2015, the School District entered into a capital lease obligation with Perry Pro Tech for copiers. This agreement began December 12, 2014 and will end in December 2019. See Note 13 for details.

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$515,116 (including available funds of \$1,538,235) and an unvoted debt margin of \$153,354.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a “special needs” district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The Minster Local School District was determined to be a “special needs” district by the State Superintendent.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statements of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budgetary basis to the cash basis for the general fund is as follows:

	Net Change in Fund Balance
	<u>General</u>
Budget basis	\$ 735,710
Adjustments for encumbrances	155,668
Funds budgeted elsewhere	<u>27,717</u>
Cash basis	<u>\$ 919,095</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, the public school support fund, the termination benefits fund, the uniform school supplies fund, the rotary fund and the Coca Cola contract.

NOTE 16 - SET-ASIDES

The School District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	149,526
Current year qualifying disbursements	(47,304)
Current year offsets	(113,933)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (11,711)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u><u>\$ -</u></u>

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, Miami, 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. Financial information can be obtained from the WOCO, 129 East Court Street, Sidney, Ohio 45365.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 17 - 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, 1130 East Albert Street, Lima, Ohio 45804.

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, 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 Area School Employee Welfare Benefit Trust

The School District participates in a public entity shared risk pool consisting of eleven school districts and two educational service centers. The Mercer-Auglaize Area School Employee Welfare Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental 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 the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 18 - INSURANCE POOLS - (Continued)

C. Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. 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 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, 2018.

B. Litigation

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



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**Independent Auditor'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
50 East Seventh Street
Minster, Ohio 45865

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis 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, 2018, and the related notes to the financial statements, which collectively comprise the Minster Local School District's basic financial statements and have issued our report thereon dated December 3, 2019, wherein we noted the Minster Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Minster Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Minster Local School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Minster Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2018-001 through 2018-004.

Minster Local School District's Response to Findings

The Minster Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject the Minster Local School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Minster Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Minster Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 3, 2019

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Noncompliance

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The School District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the School District being fined or other administrative remedies.

The School District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The School District is aware of the requirements to file financial statements in accordance with GAAP; however, after performing a cost-benefit analysis, the School District has elected to prepare its financial statements utilizing the cash basis of accounting.

Finding Number	2018-002
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Noncompliance

Ohio Administrative Code 117-2-02(C)(1) states that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The School District's estimated resources did not agree to the eFinancePLUS budgetary amounts.

By not correctly including budgetary accounts into the financial software, it could become challenging for the School District to easily monitor its budgeted activity in comparison with its actual amounts. The School District is also at risk for overspending in excess of available funds, which could possibly result in negative fund balances.

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-002 - (Continued)

We recommend that approved budgetary modifications be incorporated into the eFinancePLUS system by the Treasurer in a timely manner. This will aid the Board of Education and Treasurer in their review of budgetary versus actual information and help ensure budgetary requirements are followed.

Client Response: The School District will monitor the budget guidelines and significant due dates on a continual basis to ensure budgetary information is properly recorded.

Finding Number	2018-003
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Noncompliance

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in developing the original appropriations.

The School District did not properly amend certain funds appropriations throughout the fiscal year ended June 30, 2018.

By not timely and properly modifying the appropriations, the potential to overspend in certain funds exists.

We recommend the School District comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the School District should monitor its budgetary process on a regular basis and make amendments as necessary. We recommend that the Treasurer regularly review all variances of the budgeting process and submit amendments as necessary.

Client Response: The School District will monitor the budget guidelines and significant due dates on a continual basis to ensure appropriations are properly amended throughout the year.

Finding Number	2018-004
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Noncompliance

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

For the fiscal year ended June 30, 2018, the following major governmental funds had expenditures plus outstanding encumbrances in excess of appropriations at the legal level of control:

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-004 - (Continued)

	Appropriations	Expenditures Plus Encumbrances	Excess
<u>Major Governmental Funds:</u>			
General Fund	\$ 9,260,368	\$ 9,416,035	\$ 155,667
Classroom Facilities Fund	\$ 1,450,000	\$ 9,205,327	\$ 7,755,327

Additionally, certain nonmajor governmental funds had expenditures plus outstanding encumbrances in excess of appropriations at the legal level of control.

With expenditures exceeding appropriations, the School District is spending monies that have not lawfully been appropriated by the Board of Education. This may result in unnecessary spending.

We recommend the School District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures, so they do not exceed lawful appropriations and amending the budget as needed throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The School District will monitor the budget guidelines and significant due dates on a continual basis to ensure expenditures are not in excess of appropriations during the year.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2016	<u>Noncompliance</u> : Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the School District to prepare its annual financial report in accordance with GAAP, however, the School District prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	Not Corrected	Repeated as finding 2018-001

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OHIO AUDITOR OF STATE KEITH FABER



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 27, 2020**