



OHIO AUDITOR OF STATE
KEITH FABER





**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Minster Local School District
Auglaize County
50 East Seventh Street
Minster, OH 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 Minster Local School District, Auglaize County, Ohio (the School District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 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 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, as of June 30, 2021, 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 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.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Revenues and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2022

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2021

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | <u>\$ 10,855,223</u> |
| Net position: | |
| Restricted for: | |
| Capital projects | 176,836 |
| Classroom facilities maintenance | 214,768 |
| Debt service | 2,485,446 |
| State funded programs | 15,170 |
| Federally funded programs | 1,212 |
| Food service operations | 76,140 |
| Student activities | 190,899 |
| Other purposes | 73,600 |
| Unrestricted | <u>7,621,152</u> |
| Total net position | <u>\$ 10,855,223</u> |

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, 2021

| | Disbursements | Program Receipts | | Net (Disbursements) |
|---|----------------------|--------------------------------|------------------------------------|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Receipts and Changes in Net Cash Position Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,271,098 | \$ 276,450 | \$ 108,564 | \$ (4,886,084) |
| Special | 1,268,089 | 25,486 | 390,083 | (852,520) |
| Vocational | 138,576 | - | 63,958 | (74,618) |
| Support services: | | | | |
| Pupil | 514,662 | - | 38,884 | (475,778) |
| Instructional staff | 217,140 | - | 14,156 | (202,984) |
| Board of education | 30,327 | - | - | (30,327) |
| Administration | 608,618 | - | - | (608,618) |
| Fiscal | 305,039 | - | - | (305,039) |
| Operations and maintenance | 1,013,316 | 11,333 | 12,868 | (989,115) |
| Pupil transportation | 269,926 | - | 17,528 | (252,398) |
| Central | 66,125 | - | 34,866 | (31,259) |
| Operation of non-instructional services: | | | | |
| Food service operations | 441,795 | 109,965 | 382,127 | 50,297 |
| Other non-instructional services | 10,401 | - | - | (10,401) |
| Extracurricular activities | 510,316 | 164,134 | 50,387 | (295,795) |
| Facilities acquisition and construction | 238,284 | - | - | (238,284) |
| Debt service: | | | | |
| Principal retirement | 1,192,602 | - | - | (1,192,602) |
| Interest and fiscal charges | 356,586 | - | - | (356,586) |
| Total governmental activities | \$ 12,452,900 | \$ 587,368 | \$ 1,113,421 | (10,752,111) |
| General receipts: | | | | |
| Property taxes levied for: | | | | |
| | | | | 3,818,179 |
| | | | | 1,099,821 |
| | | | | 34,520 |
| | | | | 31,791 |
| | | | | 76,377 |
| Income taxes levied for: | | | | |
| | | | | 1,916,969 |
| Grants and entitlements not restricted to specific programs | | | | |
| | | | | 4,043,905 |
| | | | | 40,073 |
| | | | | 264,588 |
| | | | | <u>11,326,223</u> |
| | | | | 574,112 |
| | | | | <u>10,281,111</u> |
| | | | | <u>\$ 10,855,223</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2021

| | <u>General</u> | <u>Bond Retirement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|--|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 7,627,480 | \$ 2,485,446 | \$ 742,297 | \$ 10,855,223 |
| Fund balances: | | | | |
| Restricted: | | | | |
| Debt service | \$ - | \$ 2,485,446 | \$ - | \$ 2,485,446 |
| Capital improvements | - | - | 176,836 | 176,836 |
| Classroom facilities maintenance | - | - | 214,768 | 214,768 |
| Food service operations | - | - | 76,140 | 76,140 |
| State funded programs | - | - | 15,170 | 15,170 |
| Federally funded programs | - | - | 1,212 | 1,212 |
| Extracurricular activities | - | - | 190,899 | 190,899 |
| Other purposes | - | - | 73,600 | 73,600 |
| Committed: | | | | |
| Termination benefits | 1 | - | - | 1 |
| Assigned: | | | | |
| Student instruction | 126,448 | - | - | 126,448 |
| Student and staff support | 66,442 | - | - | 66,442 |
| Unassigned (deficit) | <u>7,434,589</u> | <u>-</u> | <u>(6,328)</u> | <u>7,428,261</u> |
| Total fund balances | <u>\$ 7,627,480</u> | <u>\$ 2,485,446</u> | <u>\$ 742,297</u> | <u>\$ 10,855,223</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | <u>General</u> | <u>Bond Retirement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|--|---|
| Receipts: | | | | |
| Property taxes | \$ 3,818,179 | \$ 1,099,821 | \$ 142,688 | \$ 5,060,688 |
| Income taxes | 1,916,969 | - | - | 1,916,969 |
| Intergovernmental | 3,932,334 | 362,834 | 759,936 | 5,055,104 |
| Investment earnings | 39,837 | - | 373 | 40,210 |
| Tuition and fees | 301,936 | - | - | 301,936 |
| Extracurricular | - | - | 164,134 | 164,134 |
| Rental income | 10,423 | - | - | 10,423 |
| Charges for services | - | - | 110,875 | 110,875 |
| Contributions and donations | 34,137 | - | 51,788 | 85,925 |
| Miscellaneous | 230,451 | - | 50,297 | 280,748 |
| Total receipts | <u>10,284,266</u> | <u>1,462,655</u> | <u>1,280,091</u> | <u>13,027,012</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,161,877 | - | 109,221 | 5,271,098 |
| Special | 1,074,635 | - | 193,454 | 1,268,089 |
| Vocational | 138,576 | - | - | 138,576 |
| Support services: | | | | |
| Pupil | 462,016 | - | 52,646 | 514,662 |
| Instructional staff | 202,984 | - | 14,156 | 217,140 |
| Board of education | 30,327 | - | - | 30,327 |
| Administration | 608,618 | - | - | 608,618 |
| Fiscal | 277,953 | 24,040 | 3,046 | 305,039 |
| Operations and maintenance | 864,960 | - | 148,356 | 1,013,316 |
| Pupil transportation | 257,318 | - | 12,608 | 269,926 |
| Central | 31,125 | - | 35,000 | 66,125 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 441,795 | 441,795 |
| Other non-instructional services | - | - | 10,401 | 10,401 |
| Extracurricular activities | 321,314 | - | 189,002 | 510,316 |
| Facilities acquisition and construction | - | - | 238,284 | 238,284 |
| Debt service: | | | | |
| Principal retirement | 7,602 | 1,185,000 | - | 1,192,602 |
| Interest and fiscal charges | 1,698 | 354,888 | - | 356,586 |
| Total disbursements | <u>9,441,003</u> | <u>1,563,928</u> | <u>1,447,969</u> | <u>12,452,900</u> |
| Excess of receipts over (under) disbursements | <u>843,263</u> | <u>(101,273)</u> | <u>(167,878)</u> | <u>574,112</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | 585,800 | - | 585,800 |
| Transfers (out) | (585,800) | - | - | (585,800) |
| Advances in | - | - | 3,000 | 3,000 |
| Advances (out) | (3,000) | - | - | (3,000) |
| Total other financing sources (uses) | <u>(588,800)</u> | <u>585,800</u> | <u>3,000</u> | <u>-</u> |
| Net change in fund balances | 254,463 | 484,527 | (164,878) | 574,112 |
| Fund balances at beginning of year | <u>7,373,017</u> | <u>2,000,919</u> | <u>907,175</u> | <u>10,281,111</u> |
| Fund balances at end of year | <u>\$ 7,627,480</u> | <u>\$ 2,485,446</u> | <u>\$ 742,297</u> | <u>\$ 10,855,223</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| Property taxes | \$ 4,023,290 | \$ 3,795,887 | \$ 3,818,179 | \$ 22,292 |
| Income taxes | 1,538,182 | 1,867,448 | 1,916,969 | 49,521 |
| Intergovernmental | 3,519,212 | 3,833,924 | 3,932,334 | 98,410 |
| Investment earnings | 40,000 | 39,358 | 39,837 | 479 |
| Tuition and fees | 286,160 | 281,720 | 275,591 | (6,129) |
| Rental income | 9,500 | 9,332 | 10,423 | 1,091 |
| Contributions and donations | 15,400 | 14,898 | 31,137 | 16,239 |
| Miscellaneous | 206,287 | 158,312 | 156,414 | (1,898) |
| Total receipts | <u>9,638,031</u> | <u>10,000,879</u> | <u>10,180,884</u> | <u>180,005</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,101,703 | 5,851,645 | 5,252,601 | 599,044 |
| Special | 737,583 | 554,422 | 1,074,778 | (520,356) |
| Vocational | 111,292 | 113,531 | 138,639 | (25,108) |
| Support services: | | | | |
| Pupil | 790,793 | 696,103 | 462,354 | 233,749 |
| Instructional staff | 217,866 | 185,072 | 205,284 | (20,212) |
| Board of education | 45,734 | 27,740 | 34,232 | (6,492) |
| Administration | 481,166 | 458,970 | 610,032 | (151,062) |
| Fiscal | 327,089 | 238,907 | 278,283 | (39,376) |
| Operations and maintenance | 967,928 | 967,518 | 884,617 | 82,901 |
| Pupil transportation | 297,208 | 198,551 | 289,217 | (90,666) |
| Central | 25,147 | 26,131 | 31,225 | (5,094) |
| Extracurricular activities | 226,994 | 251,752 | 321,314 | (69,562) |
| Facilities acquisition and construction | 750 | 750 | - | 750 |
| Total disbursements | <u>9,331,253</u> | <u>9,571,092</u> | <u>9,582,576</u> | <u>(11,484)</u> |
| Excess of receipts over disbursements | <u>306,778</u> | <u>429,787</u> | <u>598,308</u> | <u>168,521</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's disbursements | 50,000 | 110,000 | 104,714 | (5,286) |
| Transfers (out) | (645,896) | (588,896) | (585,896) | 3,000 |
| Advances (out) | - | - | (3,000) | (3,000) |
| Sale of capital assets | 3,000 | 3,000 | 4,951 | 1,951 |
| Total other financing sources (uses) | <u>(592,896)</u> | <u>(475,896)</u> | <u>(479,231)</u> | <u>(3,335)</u> |
| Net change in fund balance | (286,118) | (46,109) | 119,077 | 165,186 |
| Fund balance at beginning of year | 7,292,694 | 7,292,694 | 7,292,694 | - |
| Prior year encumbrances appropriated | 1,131 | 1,131 | 1,131 | - |
| Fund balance at end of year | <u>\$ 7,007,707</u> | <u>\$ 7,247,716</u> | <u>\$ 7,412,902</u> | <u>\$ 165,186</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 485th largest in the State of Ohio (among 608 school districts) in terms of enrollment. It is staffed by 36 classified employees, 61 certified teaching personnel, and 6 administrative employees who provide services to 856 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, Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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.

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. All funds of the School District are governmental funds.

GOVERNMENTAL FUNDS

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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 custodial 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.

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 2021, the School District's investments consisted of nonnegotiable certificates of deposit.

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 2021 was \$39,837, which includes \$11,272 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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.

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, 2021.

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 scholarship and recreation programs.

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, 2021

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 and net OPEB asset, 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, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2021, the School District has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic 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 District.

C. Deficit Fund Balances

Fund balances at June 30, 2021 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|---|----------------|
| Elementary and Secondary School Emergency (ESSER) | \$ 6,057 |
| Coronavirus Relief Fund (CRF) | 271 |

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the School District had \$6,005 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, 2021, the carrying amount of all District deposits was \$10,849,218 and the bank balance of all District deposits was \$11,044,884. Of the bank balance, \$10,748,099 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$296,785 was covered by the FDIC.

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 fair 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, 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. 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, 2021:

| | |
|--|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 10,849,218 |
| Cash on hand | <u>6,005</u> |
| Total | <u>\$ 10,855,223</u> |
| <u>Cash and Investments per Statement of Net Position - Cash Basis</u> | |
| Governmental activities | <u>\$ 10,855,223</u> |
| Total | <u>\$ 10,855,223</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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.

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, 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, 2021, are available to finance fiscal year 2021 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 2021 taxes were collected are:

| | 2020 Second | | 2021 First | |
|---|-----------------------|----------------|-----------------------|----------------|
| | Half Collections | | Half Collections | |
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 157,783,750 | 98.74 | \$ 175,961,560 | 98.83 |
| Public utility personal | <u>2,016,370</u> | <u>1.26</u> | <u>2,081,820</u> | <u>1.17</u> |
| Total | <u>\$ 159,800,120</u> | <u>100.00</u> | <u>\$ 178,043,380</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$52.87 | | \$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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund financial statements:

| <u>Transfers to the Bond Retirement fund from:</u> | <u>Amount</u> |
|--|---------------|
| General fund | \$ 585,800 |

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, 2021, consisted of the following, as reported on the fund financial statements:

| <u>Advances from general fund to:</u> | |
|---------------------------------------|----------|
| Nonmajor governmental funds | \$ 3,000 |

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. During fiscal year 2021, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

| | |
|-----------------------|--------------|
| General Liability | |
| Per Occurrence | \$ 5,000,000 |
| Aggregate | 7,000,000 |
| Automobile Liability | 5,000,000 |
| Building and Contents | 50,092,172 |
| Earthquake | 30,000,000 |

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

For fiscal year 2021, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Mercer-Auglaize Employee Welfare Trust (the "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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - RISK MANAGEMENT - (Continued)

The School District participates in the Ohio Association of School Board Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The 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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability/Asset

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/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 pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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.

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/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

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, 2021

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 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a .5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$156,305 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS, 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, 2021**

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 (CO) 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% 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 28 years of service, or 33 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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 and after termination of employment.

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 to 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 2021, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$665,676 for fiscal year 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2020, 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:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.02771410% | 0.03761163% | |
| Proportion of the net pension liability current measurement date | <u>0.02751620%</u> | <u>0.03827417%</u> | |
| Change in proportionate share | <u>-0.00019790%</u> | <u>0.00066254%</u> | |
| Proportionate share of the net pension liability | \$ 1,819,979 | \$ 9,260,987 | \$ 11,080,966 |

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, 2020, are presented below:

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50% |
| Investment rate of return | 7.50% net of investment 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, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

For 2020, 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% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% 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 average 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 asset 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 | 2.00 % | 1.85 % |
| US Equity | 22.50 | 5.75 |
| International Equity | 22.50 | 6.50 |
| Fixed Income | 19.00 | 2.85 |
| Private Equity | 12.00 | 7.60 |
| Real Assets | 17.00 | 6.60 |
| Multi-Asset Strategies | 5.00 | 6.65 |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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 earnings were calculated using the long-term assumed investment rate of return (7.50%). 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.

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%, 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%), or one percentage point higher (8.50%) than the current rate.

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|---|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$ 2,493,150 | \$ 1,819,979 | \$ 1,255,177 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

| | July 1, 2020 |
|--------------------------------------|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% |
| Discount Rate of Return | 7.45% |

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return * |
|----------------------|----------------------|---|
| 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 | 100.00 % | |

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 13,186,034 | \$ 9,260,987 | \$ 5,934,837 |

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 10 for a description of the net OPEB liability (asset).

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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment 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 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$17,349.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$17,349 for fiscal year 2021.

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, 2021. 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% of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset 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:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|--------------------|--------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date | 0.02839010% | 0.03761163% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.02862360%</u> | <u>0.03827417%</u> | |
| Change in proportionate share | <u>0.00023350%</u> | <u>0.00066254%</u> | |
| Proportionate share of the net OPEB liability | \$ 622,085 | \$ - | \$ 622,085 |
| Proportionate share of the net OPEB asset | \$ - | \$ (672,668) | \$ (672,668) |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020 are presented below:

| | |
|--|---|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investment expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 2.45% |
| Prior measurement date | 3.13% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 2.63% |
| Prior measurement date | 3.22% |
| Medical trend assumption: | |
| Measurement date | |
| Medicare | 5.25 to 4.75% |
| Pre-Medicare | 7.00 to 4.75% |

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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%, 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.

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| Cash | 2.00 % | 1.85 % |
| US Equity | 22.50 | 5.75 |
| International Equity | 22.50 | 6.50 |
| Fixed Income | 19.00 | 2.85 |
| Private Equity | 12.00 | 7.60 |
| Real Assets | 17.00 | 6.60 |
| Multi-Asset Strategies | 5.00 | 6.65 |
| Total | <u>100.00 %</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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 2.45%, as of June 30, 2020 (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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

| | 1% Decrease (1.63%) | Current Discount Rate (2.63%) | 1% Increase (3.63%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$ 761,416 | \$ 622,085 | \$ 511,316 |

| | 1% Decrease (6.00% decreasing to 3.75%) | Current Trend Rate (7.00% decreasing to 4.75%) | 1% Increase (8.00% decreasing to 5.75%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | \$ 489,844 | \$ 622,085 | \$ 798,924 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

| | July 1, 2020 | |
|----------------------------|---|----------|
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | |
| Discount rate of return | 7.45% | |
| Health care cost trends | Initial | Ultimate |
| Medical | | |
| Pre-Medicare | 5.00% | 4.00% |
| Medicare | -6.69% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 6.50% | 4.00% |
| Medicare | 11.87% | 4.00% |

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

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2019.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 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 | 1.00 | 2.25 |
| Total | <u>100.00 %</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 OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset 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 (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB asset | \$ 585,265 | \$ 672,668 | \$ 746,826 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| School District's proportionate share of the net OPEB asset | \$ 742,223 | \$ 672,668 | \$ 587,939 |

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.

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.

B. Health Care Benefits

The School District provides employee medical, dental, and prescription drug benefits through the Southwestern Ohio Educational Purchasing Council. 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. Be entering their first year that they are eligible to retire;
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,

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)

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 2020, the School District entered into capital leases for copiers. The terms of the lease agreement provide an option to purchase the copiers. This lease meets 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 2021 fiscal year totaled \$7,602. This amount is reflected as debt service principal retirement in the general fund.

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, 2021:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2022 | \$ 9,300 |
| 2023 | 9,300 |
| 2024 | 9,300 |
| 2025 | <u>4,650</u> |
| Total minimum lease payments | 32,550 |
| Less: amount representing interest | <u>(2,746)</u> |
| Total | <u>\$ 29,804</u> |

NOTE 14 - LONG-TERM OBLIGATIONS

The table that follows summarizes the changes in the School District's long-term obligations during fiscal year 2021.

| | Balance Outstanding <u>06/30/20</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>06/30/21</u> | Amounts Due in <u>One Year</u> |
|--|---|------------------|-----------------------|---|--------------------------------------|
| Governmental Activities: | | | | | |
| Series 2015 school improvement refunding bonds: | | | | | |
| Current interest bonds | \$ 6,740,000 | \$ - | \$ (760,000) | \$ 5,980,000 | \$ 780,000 |
| School Facilities Construction and Improvement bond | 5,780,000 | - | (425,000) | 5,355,000 | 430,000 |
| Capital lease obligation | <u>37,406</u> | <u>-</u> | <u>(7,602)</u> | <u>29,804</u> | <u>7,991</u> |
| Total long-term obligations | <u>\$ 12,557,406</u> | <u>\$ -</u> | <u>\$ (1,192,602)</u> | <u>\$ 11,364,804</u> | <u>\$ 1,217,991</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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 2.0 – 3.5 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated 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 States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds.

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 stated in the issue is December 1, 2031.

| Fiscal Year Ending <u>June 30,</u> | <u>Series 2015 School Improvement Refunding Bonds</u> | |
|--|---|-------------------|
| | <u>Current Interest Bonds</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2022 | \$ 780,000 | \$ 186,487 |
| 2023 | 820,000 | 163,088 |
| 2024 | 840,000 | 142,587 |
| 2025 | 860,000 | 117,388 |
| 2026 | 885,000 | 91,587 |
| 2027 - 2028 | <u>1,795,000</u> | <u>93,450</u> |
| Total | <u>\$ 5,980,000</u> | <u>\$ 794,587</u> |

| Fiscal Year Ending <u>June 30,</u> | <u>School Facilities Construction and Improvement Bonds, Series 2017</u> | |
|--|--|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| | 2022 | \$ 430,000 |
| 2023 | 440,000 | 147,950 |
| 2024 | 450,000 | 139,150 |
| 2025 | 455,000 | 130,150 |
| 2026 | 465,000 | 121,050 |
| 2027 - 2031 | <u>2,545,000</u> | <u>389,988</u> |
| 2032 | <u>570,000</u> | <u>17,100</u> |
| Total | <u>\$ 5,355,000</u> | <u>\$ 1,101,938</u> |

The School District entered into a capital lease obligation with Perry Pro Tech for copiers in fiscal year 2020. This agreement began November 13, 2019 and will end in December 2024. See Note 13 for details.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 14 – LONG-TERM OBLIGATIONS - (Continued)

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, 2021, are a voted debt margin of \$7,174,350 (including available funds of \$2,485,446) and an unvoted debt margin of \$178,043.

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 cash basis to the budgetary basis for the general fund is as follows:

| Net Change in Fund Balance | |
|-----------------------------------|-------------------|
| | <u>General</u> |
| Cash basis | \$ 254,463 |
| Adjustment for encumbrances | (158,531) |
| Funds budgeted elsewhere | <u>23,145</u> |
| Budget basis | <u>\$ 119,077</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 fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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.

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, 2020 | \$ - |
| Current year set-aside requirement | 151,592 |
| Current year offsets | (122,784) |
| Prior year offset from bond proceeds | <u>(28,808)</u> |
| Total | <u>\$ -</u> |
| Balance carried forward to fiscal year 2022 | <u>\$ -</u> |
| Set-aside balance June 30, 2021 | <u>\$ -</u> |

During fiscal year 2017, the School District issued \$7,100,000 in capital related school improvement bonds. These proceeds may be used to offset the required capital improvements set-aside amount for future years. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$6,881,753 at June 30, 2021.

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, 2021**

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. Southwestern Ohio Educational Purchasing Council

Beginning January 1, 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (the "MBP"), an insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

The School district participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating educational service center or school district serves on the general assembly. Each year, the participating educational service centers and school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

The Trust still meets quarterly to discuss their performance within the MBP and plan design. The Trust is considering how to spend down the reserves held by the MABT either through reducing rate increases or premium holidays. Financial information can be obtained from the MBP, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Ohio Workers' Compensation Group Rating

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts than can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021.

B. Litigation

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

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. ODE adjustments for fiscal year 2021 have been finalized and resulted in \$1,638 to the District. This amount is not reported on the financial statements.

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The Village of Minster has entered into an agreement with The Dannon Company for the abatement of property taxes to bring jobs and economic development into the area. The agreement affects the property tax receipts collected and distributed to the School District. Under the agreement, the District property taxes were reduced by \$226,174. The District received \$98,841 in both fiscal year 2021 and fiscal year 2020 as compensation for the forgone property taxes in 2021.

NOTE 21 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the pension and other employee benefits plan in which the School District participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 22 – SUBSEQUENT EVENTS

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$28,566 in revenues and expenditures/expenses related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF REVENUES AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Federal Revenues | Federal Expenditures |
|---|------------------------------------|-----------------------------|---------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed through Ohio Department of Education</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| National School Lunch Program | | | |
| Non-Cash Assistance (Food Distribution) | 10.555 | \$ 37,437 | \$ 37,437 |
| Cash Assistance | 10.555 | 350,790 | 350,790 |
| COVID-19 Assistance | 10.555 | 34,498 | 34,498 |
| Total National School Lunch Program and Child Nutrition Cluster | | <u>422,725</u> | <u>422,725</u> |
| Total U.S. Department of Agriculture | | <u>422,725</u> | <u>422,725</u> |
| U.S. DEPARTMENT OF THE TREASURY | | | |
| <i>Passed through Ohio Department of Education</i> | | | |
| COVID-19 Coronavirus Relief Fund - Broadband Ohio Connectivity | 21.019 | 612 | 612 |
| COVID-19 Coronavirus Relief Fund - Rural and Small Town SD | 21.019 | 35,103 | 35,103 |
| <i>Passed through the Village of Minster, Ohio</i> | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | 35,000 | 35,000 |
| Total COVID-19 Coronavirus Relief Fund | | <u>70,715</u> | <u>70,715</u> |
| Total U.S. Department of the Treasury | | <u>70,715</u> | <u>70,715</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed through Ohio Department of Education</i> | | | |
| <u>Title I Grants to Local Educational Agencies</u> | | | |
| Title I Improving Basic Programs Operated by Local Educational Agencies | 84.010 | 39,202 | 39,202 |
| Expanding Opportunities for Each Child | 84.010 | 850 | 850 |
| Total Title I Grants to Local Educational Agencies | | <u>40,052</u> | <u>40,052</u> |
| <u>Special Education Cluster:</u> | | | |
| Special Education Grants to States | 84.027 | 163,124 | 163,124 |
| Total Special Education Cluster | | <u>163,124</u> | <u>163,124</u> |
| Supporting Effective Instruction State Grants | 84.367 | 10,556 | 10,556 |
| Student Support and Academic Enrichment Program | 84.424 | 10,035 | 10,035 |
| <u>COVID-19 Education Stabilization Fund</u> | | | |
| Elementary and Secondary School Emergency Relief I | 84.425D | 39,555 | 39,555 |
| Elementary and Secondary School Emergency Relief II | 84.425D | 16,928 | 22,985 |
| Total COVID-19 Education Stabilization Fund | | <u>56,483</u> | <u>62,540</u> |
| Total U.S. Department of Education | | <u>280,250</u> | <u>286,307</u> |
| Total Revenues and Expenditures of Federal Award | | <u>\$ 773,690</u> | <u>\$ 779,747</u> |

The accompanying notes are an integral part of this schedule.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Minster Local School District (the School District's) under programs of the federal government for the fiscal year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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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, OH 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 Minster Local School District, Auglaize County, (the School District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 1, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 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 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 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 financial statements. 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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 School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2022

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Minster Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Minster Local School District's major federal program for the fiscal year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Minster Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2022

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material weaknesses in internal control reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Child Nutrition Cluster |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR § 200.520? | No |

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

FINDING NUMBER 2021-001

Noncompliance

Ohio Rev. Code § 117.38 provides that 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.

**FINDING NUMBER 2021-001
(Continued)**

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



MINSTER LOCAL SCHOOLS

50 East 7th Street - Minster, OH 45865 P: 419.628.3397 minsterschools.org

Brenda Boeke
Superintendent

Laura Klosterman
Treasurer

Michelle Huelsman
Administrative Assistant

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2021

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|---------------|--|
| 2020-001 | Noncompliance: 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 2021-001 The Board has been recommended by the treasurer not to report using GAAP due to the extensive work to compile such a report and the expanded audit and costs associated with such an audit |

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MINSTER LOCAL SCHOOLS

50 East 7th Street - Minster, OH 45865

P: 419.628.3397

minsterschools.org

Brenda Boeke
Superintendent

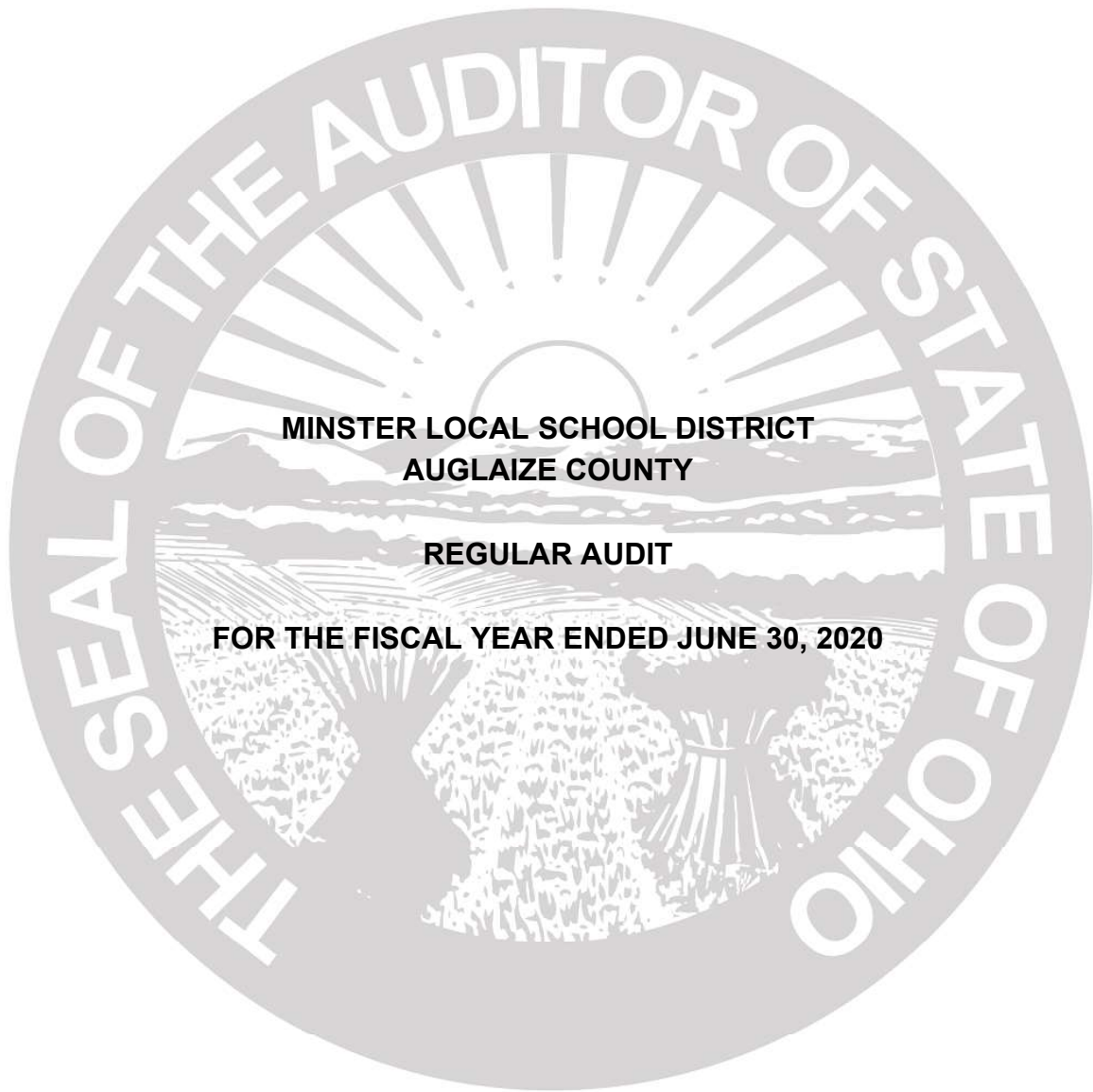
Laura Klosterman
Treasurer

Michelle Huelsman
Administrative Assistant

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2021

Finding Number: 2021-001
Planned Corrective Action: The Board has been recommended by the treasurer not to report using GAAP due to the extensive work to compile such a report and the expanded audit and costs associated with such an audit.
Anticipated Completion Date: not applicable
Responsible Contact Person: Laura Klosterman, Treasurer

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**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Minster Local School District
Auglaize County
50 East Seventh Street
Minster, OH 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 Minster Local School District, Auglaize County, Ohio (the School District), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 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 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, as of June 30, 2020, 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 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2022

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 fiscal year ended June 30, 2020, 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 2020 are as follows:

- The total net cash position of the School District decreased \$924,425 or 8.25% from fiscal year 2019.
- General cash receipts accounted for \$11,960,663 or 89.13% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,458,958 or 10.87% of total governmental activities cash receipts.
- The School District had \$14,344,046 in cash disbursements related to governmental activities; \$1,458,958 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities of \$11,960,663 were not 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 \$10,347,804 during fiscal year 2020. The cash disbursements and other financing uses of the general fund totaled \$9,792,951 in 2020. The general fund's cash balance increased \$554,853 or 8.14% from 2019 to 2020.
- The bond retirement fund had cash receipts and other financing sources of \$1,967,818 during fiscal year 2020. The cash disbursements of the bond retirement fund totaled \$1,561,014 during fiscal year 2020. The bond retirement fund's cash balance increased \$406,804 or 25.52% from 2019 to 2020.
- The classroom facilities fund had \$667,992 in cash receipts. The cash disbursements and other financing uses of the classroom facilities fund totaled \$2,395,887 during fiscal year 2020. The classroom facilities fund cash balance decreased \$1,727,895 or 91.77% from 2019 to 2020.

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 three major governmental funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 2020?" 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 are governmental 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

All 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 (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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, 2020 and June 30, 2019. Net cash position has been restated as described in Note 3.

| | Net Cash Position | |
|--|---|---|
| | Governmental Activities <u>2020</u> | Restated Governmental Activities <u>2019</u> |
| <u>Assets</u> | | |
| Equity in pooled cash and cash equivalents | \$ 10,281,111 | \$ 11,205,536 |
| Total assets | <u>10,281,111</u> | <u>11,205,536</u> |
| <u>Net Cash Position</u> | | |
| Restricted | 2,908,094 | 4,234,499 |
| Unrestricted | <u>7,373,017</u> | <u>6,971,037</u> |
| Total net cash position | <u>\$ 10,281,111</u> | <u>\$ 11,205,536</u> |

The total net cash position of the School District decreased \$924,425 which represents an 8.25% decrease from fiscal year 2019. The balance of government-wide unrestricted net cash position of \$7,373,017 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 (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below shows the changes in net cash position for fiscal year 2020 and 2019. The 2019 beginning of year net cash position for governmental activities has been restated as described in Note 3.

| | Change in Net Cash Position | |
|---|------------------------------------|----------------------|
| | Governmental | Restated |
| | Activities | Governmental |
| | <u>2020</u> | <u>2019</u> |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 792,098 | \$ 798,773 |
| Operating grants and contributions | <u>666,860</u> | <u>725,874</u> |
| Total program cash receipts | <u>1,458,958</u> | <u>1,524,647</u> |
| General cash receipts: | | |
| Property and other taxes | 6,837,304 | 6,225,679 |
| Unrestricted grants | 4,736,010 | 5,818,622 |
| Investment earnings | 60,286 | 76,338 |
| Other | <u>327,063</u> | <u>483,476</u> |
| Total general cash receipts | <u>11,960,663</u> | <u>12,604,115</u> |
| Total cash receipts | <u>13,419,621</u> | <u>14,128,762</u> |
| Cash Disbursements: | | |
| Instruction: | | |
| Regular | 5,101,604 | 4,936,462 |
| Special | 1,176,037 | 862,075 |
| Vocational | 138,651 | 131,447 |
| Support services: | | |
| Pupil | 471,108 | 655,077 |
| Instructional staff | 239,290 | 285,262 |
| Board of education | 32,500 | 38,206 |
| Administration | 598,030 | 600,400 |
| Fiscal | 310,268 | 257,654 |
| Operations and maintenance | 923,240 | 989,146 |
| Pupil transportation | 187,002 | 347,016 |
| Central | 27,587 | 21,505 |
| Operation of non instructional services | 18,055 | 4,674 |
| Food service operations | 398,886 | 431,986 |
| Extracurricular activities | 557,003 | 519,284 |
| Facilities acquisition and construction | 2,615,059 | 7,357,994 |
| Debt service: | | |
| Principal retirement | 1,170,302 | 1,157,795 |
| Interest and fiscal charges | <u>379,424</u> | <u>405,769</u> |
| Total cash disbursements | <u>14,344,046</u> | <u>19,001,752</u> |
| Change in net cash position | (924,425) | (4,872,990) |
| Net cash position at beginning of year (restated) | <u>11,205,536</u> | N/A |
| Net cash position at end of year | <u>\$ 10,281,111</u> | <u>\$ 11,205,536</u> |

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

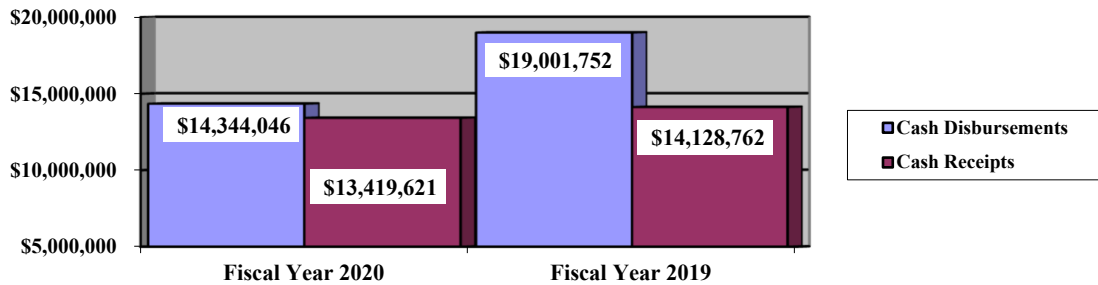
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Activities

Governmental net cash position decreased by \$924,425 during fiscal year 2020 due to spending on the School District's facilities improvement project. Total program receipts of \$1,458,958 and general receipts of \$11,960,663 were inadequate to offset governmental disbursements of \$14,344,046. Program receipts supported 10.17% of the total governmental disbursements. The largest governmental disbursement was for regular instruction which totaled \$5,101,604.

The primary sources of receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These receipt sources represent 86.24% of total governmental receipts. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



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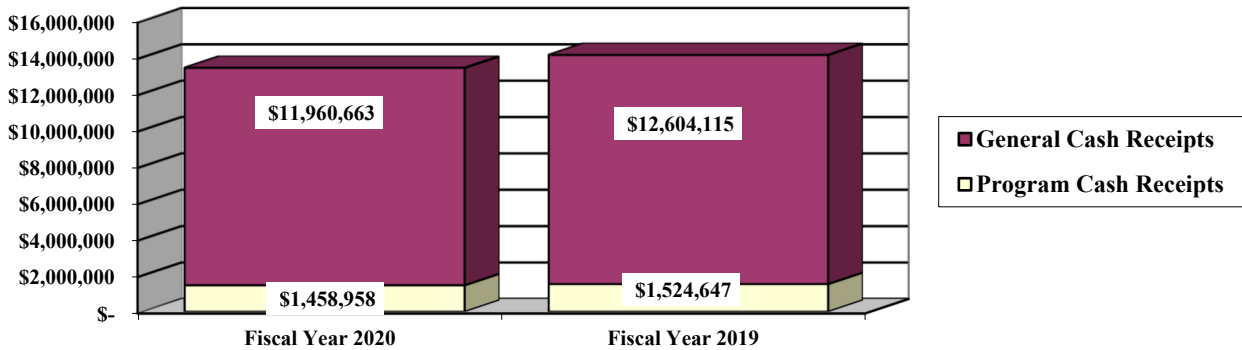
**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | Governmental Activities | | | |
|---|--|--|--|--|
| | Total Cost of Services <u>2020</u> | Net Cost of Services <u>2020</u> | Total Cost of Services <u>2019</u> | Net Cost of Services <u>2019</u> |
| Cash disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,101,604 | \$ 4,733,076 | \$ 4,936,462 | \$ 4,630,054 |
| Special | 1,176,037 | 759,843 | 862,075 | 421,231 |
| Vocational | 138,651 | 74,229 | 131,447 | 69,439 |
| Support services: | | | | |
| Pupil | 471,108 | 471,108 | 655,077 | 639,450 |
| Instructional staff | 239,290 | 228,546 | 285,262 | 270,653 |
| Board of education | 32,500 | 32,500 | 38,206 | 38,206 |
| Administration | 598,030 | 597,062 | 600,400 | 600,138 |
| Fiscal | 310,268 | 310,268 | 257,654 | 257,654 |
| Operations and maintenance | 923,240 | 899,202 | 989,146 | 932,305 |
| Pupil transportation | 187,002 | 174,406 | 347,016 | 335,644 |
| Central | 27,587 | 27,587 | 21,505 | 21,505 |
| Operation of non instructional services | 18,055 | 18,055 | 4,674 | 4,674 |
| Food service operations | 398,886 | 91,058 | 431,986 | 46,374 |
| Extracurricular activities | 557,003 | 303,363 | 519,284 | 288,220 |
| Facilities acquisition and construction | 2,615,059 | 2,615,059 | 7,357,994 | 7,357,994 |
| Debt service: | | | | |
| Principal retirement | 1,170,302 | 1,170,302 | 1,157,795 | 1,157,795 |
| Interest and fiscal charges | <u>379,424</u> | <u>379,424</u> | <u>405,769</u> | <u>405,769</u> |
| Total | <u>\$ 14,344,046</u> | <u>\$ 12,885,088</u> | <u>\$ 19,001,752</u> | <u>\$ 17,477,105</u> |

The dependence upon general cash receipts for governmental activities is apparent; with 89.83% of cash disbursements supported through general cash receipts during 2020.

Governmental Activities - General and Program Cash Receipt



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 \$10,281,111, which is \$924,425 lower than last year's total of \$11,205,536. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2020 and June 30, 2019 for all major and nonmajor governmental funds (as restated). See Note 3 for additional detail regarding the restatement.

| | Fund Cash Balance <u>June 30, 2020</u> | Restated Fund Cash Balance <u>June 30, 2019</u> | <u>Change</u> |
|-----------------------------------|---|---|---------------------|
| General | \$ 7,373,017 | \$ 6,818,164 | \$ 554,853 |
| Bond retirement fund | 2,000,919 | 1,594,115 | 406,804 |
| Classroom facilities | 154,987 | 1,882,882 | (1,727,895) |
| Other nonmajor governmental funds | <u>752,188</u> | <u>910,375</u> | <u>(158,187)</u> |
| Total | <u>\$ 10,281,111</u> | <u>\$ 11,205,536</u> | <u>\$ (924,425)</u> |

General Fund

The general fund's cash balance increased \$554,853 or 8.14% during fiscal year 2020.

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

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Receipts:</u> | | | |
| Taxes | \$ 5,672,508 | \$ 5,130,538 | 10.56 % |
| Tuition and fees | 315,616 | 329,866 | (4.32) % |
| Earnings on investments | 56,019 | 45,440 | 23.28 % |
| Other local revenues | 337,573 | 489,859 | (31.09) % |
| Intergovernmental | <u>3,966,088</u> | <u>4,222,483</u> | (6.07) % |
| Total | <u>\$ 10,347,804</u> | <u>\$ 10,218,186</u> | 1.27 % |

Overall, general fund cash receipts remained consistent with prior year, with an increase of 1.27%. The increase in taxes of \$541,970 was due to an increase of both property taxes and income taxes collected. The decrease in other local revenues of 31.09% was mainly due to decreased compensation for property tax exemptions.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|------------------------------------|
| <u>Cash Disbursements</u> | | | |
| Instruction | \$ 6,176,907 | \$ 5,700,248 | 8.36 % |
| Support services | 2,711,170 | 3,082,689 | (12.05) % |
| Extracurricular | 309,236 | 294,457 | 5.02 % |
| Facilities acquisition and construction | 750 | 750 | - % |
| Debt service | <u>11,388</u> | <u>13,476</u> | (15.49) % |
| Total | <u>\$ 9,209,451</u> | <u>\$ 9,091,620</u> | 1.30 % |

The overall increase in general fund cash disbursements is primarily due to higher costs of employee wages and benefits. There were no other significant changes compared to the prior year.

Bond Retirement Fund

The bond retirement fund had cash receipts and other financing sources of \$1,967,818 during fiscal year 2020. The cash disbursements of the bond retirement fund totaled \$1,561,014 during fiscal year 2020. The bond retirement fund's cash balance increased \$406,804 or 25.52% from 2019 to 2020.

Classroom Facilities Fund

The classroom facilities fund had cash receipts of \$667,992 during fiscal year 2020, and the fund had \$2,395,887 of disbursements and other financing uses. The classroom facilities fund's cash balance decreased \$1,727,895 or 91.77% from 2019 to 2020.

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, original budgetary basis receipts and other financing sources were \$10,268,003. Final budgetary basis receipts and other financing sources decreased to \$10,124,953. Actual cash receipts and other financing sources of \$10,381,803 were greater than final budget estimates and other financing sources by \$256,850.

The final budgetary disbursement and other financing uses of \$10,230,704 were higher than original budgetary basis disbursements and other financing uses of \$10,136,549. The actual budgetary basis disbursements and other financing uses of \$9,852,702 were \$378,002 less 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 \$2,615,059 during fiscal year 2020.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Debt Administration

At June 30, 2020, the School District had \$12,520,000 in general obligation refunding bonds outstanding and \$37,406 in capital lease obligations outstanding. Of this total \$1,192,062 is due within one year and \$11,365,344 is due in more than one year.

The following table summarizes the obligations outstanding.

| | Governmental Activities <u>2020</u> | Governmental Activities <u>2019</u> |
|------------------------------------|---|---|
| General obligation refunding bonds | \$ 6,740,000 | \$ 7,485,000 |
| School facilities | | |
| construction and improvement bond | 5,780,000 | 6,195,000 |
| Capital lease obligations | <u>37,406</u> | <u>6,641</u> |
| Total long-term obligations | <u>\$ 12,557,406</u> | <u>\$ 13,686,641</u> |

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

Current Financial Related Activities

During fiscal year 2020 the Board of Education and the Minister Teacher’s Association approved a three-year contract. The economic package is for one year only with a re-opener in year 2. The new contract includes a raise of the base salary at 3.0% for contract years 2021. The employees will no longer have the option of the alternate PPO health insurance. The high deductible health plan and minimum value HDHP coverages will pay 12 percent. For employees choosing the HDHP plan, board contributions no longer require an employee match and board contribution will be \$1,250 for single plan and \$2,500 for family plan beginning January 1, 2021. The agreement also includes longevity payments for those in years 26, 27, 28 and 29 of \$500 per year and after years 31, 32 and 33 of \$1,000 per year.

The same economic issues were extended to the classified staff.

The School District began one to one technology in the 5th and 9th classrooms during 2016-2017 school year increasing by each grade level. By the beginning of the 2019-2020 school year, all students grades 5-12 paid an annual rental fee for a Chromebook to use during and after the school day. Students are offered the opportunity to purchase an annual maintenance/insurance plan to offset damage to the device. If the students do not purchase the insurance, the cost of repair or replacement is assessed to their book fees. For fiscal year 2021, this will be extended to grade 4.

During 2020, the economy is in the midst of an international pandemic. On-line learning took place mid-March through May. The school is opening school year 2020-2021 at 5 full days per week for all students. Families were given the option of on-line learning through an independent contractor. This allows us to still include those students in our daily attendance. Due to the pandemic, state funding was cut at the end of 2020 by 5.8% and continues at the same reduction in 2021. The income tax collection has also declined. The July settlement the tax filings and estimated payments have been delayed due to the extension of the tax filing date until July 15.

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 Mrs. Laura S. Klosterman, Treasurer, Minster LSD, 50 East Seventh Street, Minster, Ohio 45865.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 10,281,111 |
| Total assets. | 10,281,111 |
| Net position: | |
| Restricted for: | |
| Capital projects | 378,027 |
| Classroom facilities maintenance | 257,071 |
| Debt service. | 2,000,919 |
| State funded programs. | 98,533 |
| Federally funded programs | 15,288 |
| Student activities | 77,501 |
| Other purposes | 80,755 |
| Unrestricted | 7,373,017 |
| Total net cash position | \$ 10,281,111 |

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, 2020

| | Program Receipts | | | Net (Disbursement) Receipt and Change in Net Cash Position |
|--|----------------------|-----------------------------------|---------------------------------------|---|
| | Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| | | | | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,101,604 | \$ 312,890 | \$ 55,638 | \$ (4,733,076) |
| Special | 1,176,037 | 2,726 | 413,468 | (759,843) |
| Vocational | 138,651 | 2,260 | 62,162 | (74,229) |
| Support services: | | | | |
| Pupil | 471,108 | - | - | (471,108) |
| Instructional staff | 239,290 | - | 10,744 | (228,546) |
| Board of education | 32,500 | - | - | (32,500) |
| Administration | 598,030 | - | 968 | (597,062) |
| Fiscal | 310,268 | - | - | (310,268) |
| Operations and maintenance | 923,240 | 16,632 | 7,406 | (899,202) |
| Pupil transportation | 187,002 | - | 12,596 | (174,406) |
| Central | 27,587 | - | - | (27,587) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 18,055 | - | - | (18,055) |
| Food service operations | 398,886 | 247,259 | 60,569 | (91,058) |
| Extracurricular activities | 557,003 | 210,331 | 43,309 | (303,363) |
| Facility acquisition and construction | 2,615,059 | - | - | (2,615,059) |
| Debt service: | | | | |
| Principal retirement | 1,170,302 | - | - | (1,170,302) |
| Interest and fiscal charges | 379,424 | - | - | (379,424) |
| Total governmental activities | \$ 14,344,046 | \$ 792,098 | \$ 666,860 | (12,885,088) |
| General receipts: | | | | |
| Property taxes levied for: | | | | |
| | | | | 3,737,870 |
| General purposes | | | | 1,028,034 |
| Debt service | | | | 34,068 |
| Capital outlay | | | | 31,304 |
| Recreation | | | | 71,390 |
| Classroom facilities maintenance | | | | |
| Income taxes levied for: | | | | |
| General purposes | | | | 1,934,638 |
| Grants and entitlements not restricted to specific programs | | | | 4,736,010 |
| Investment earnings | | | | 60,286 |
| Miscellaneous | | | | 327,063 |
| Total general receipts | | | | 11,960,663 |
| Change in net cash position | | | | (924,425) |
| Net cash position at beginning of year (restated) | | | | 11,205,536 |
| Net cash position at end of year | | | | \$ 10,281,111 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | <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. | \$ 7,373,017 | \$ 2,000,919 | \$ 154,987 | \$ 752,188 | \$ 10,281,111 |
| Total cash assets | <u>\$ 7,373,017</u> | <u>\$ 2,000,919</u> | <u>\$ 154,987</u> | <u>\$ 752,188</u> | <u>\$ 10,281,111</u> |
| Fund cash balances: | | | | | |
| Restricted: | | | | | |
| Debt service | \$ - | \$ 2,000,919 | \$ - | \$ - | \$ 2,000,919 |
| Capital improvements | - | - | 154,987 | 223,040 | 378,027 |
| Classroom facilities maintenance | - | - | - | 257,071 | 257,071 |
| Food service operations | - | - | - | 25,413 | 25,413 |
| Other purposes. | - | - | - | 169,163 | 169,163 |
| Extracurricular. | - | - | - | 77,501 | 77,501 |
| Committed: | | | | | |
| Termination benefits. | 1 | - | - | - | 1 |
| Assigned: | | | | | |
| Student and staff support. | 1,378 | - | - | - | 1,378 |
| Other purposes. | 46,122 | - | - | - | 46,122 |
| Unassigned | <u>7,325,516</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,325,516</u> |
| Total cash fund balances | <u>\$ 7,373,017</u> | <u>\$ 2,000,919</u> | <u>\$ 154,987</u> | <u>\$ 752,188</u> | <u>\$ 10,281,111</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, 2020

| | <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 | \$ 3,737,870 | \$ 1,028,034 | \$ - | \$ 136,762 | \$ 4,902,666 |
| Income taxes | 1,934,638 | - | - | - | 1,934,638 |
| Tuition | 240,133 | - | - | - | 240,133 |
| Earnings on investments | 56,019 | - | 4,267 | 88 | 60,374 |
| Charges for services | - | - | - | 253,381 | 253,381 |
| Extracurricular | - | - | - | 212,591 | 212,591 |
| Classroom materials and fees | 75,483 | - | - | - | 75,483 |
| Rental income | 10,510 | - | - | - | 10,510 |
| Contributions and donations | 19,825 | - | - | 21,039 | 40,864 |
| Other local revenues | 307,238 | - | - | 29,186 | 336,424 |
| Intergovernmental - state | 3,966,088 | 355,584 | 663,725 | 47,420 | 5,032,817 |
| Intergovernmental - federal | - | - | - | 319,740 | 319,740 |
| Total cash receipts | <u>10,347,804</u> | <u>1,383,618</u> | <u>667,992</u> | <u>1,020,207</u> | <u>13,419,621</u> |
| Cash disbursements: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,081,065 | - | - | 20,539 | 5,101,604 |
| Special | 959,754 | - | - | 216,283 | 1,176,037 |
| Vocational | 136,088 | - | - | 2,563 | 138,651 |
| Support services: | | | | | |
| Pupil | 471,108 | - | - | - | 471,108 |
| Instructional staff | 228,546 | - | - | 10,744 | 239,290 |
| Board of education | 32,500 | - | - | - | 32,500 |
| Administration | 597,062 | - | - | 968 | 598,030 |
| Fiscal | 283,596 | 22,676 | - | 3,996 | 310,268 |
| Operations and maintenance | 893,769 | - | - | 29,471 | 923,240 |
| Pupil transportation | 177,002 | - | - | 10,000 | 187,002 |
| Central | 27,587 | - | - | - | 27,587 |
| Operation of non-instructional services: | | | | | |
| Other operation of non-instructional | - | - | - | 18,055 | 18,055 |
| Food service operations | - | - | - | 398,886 | 398,886 |
| Extracurricular activities | 309,236 | - | - | 247,767 | 557,003 |
| Facilities acquisition and construction | 750 | - | 2,344,012 | 270,297 | 2,615,059 |
| Debt service: | | | | | |
| Principal retirement | 10,302 | 1,160,000 | - | - | 1,170,302 |
| Interest and fiscal charges | 1,086 | 378,338 | - | - | 379,424 |
| Total cash disbursements | <u>9,209,451</u> | <u>1,561,014</u> | <u>2,344,012</u> | <u>1,229,569</u> | <u>14,344,046</u> |
| Excess (deficiency) of cash receipts over (under) cash disbursements | <u>1,138,353</u> | <u>(177,396)</u> | <u>(1,676,020)</u> | <u>(209,362)</u> | <u>(924,425)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 584,200 | - | 52,812 | 637,012 |
| Transfers (out) | <u>(583,500)</u> | <u>-</u> | <u>(51,875)</u> | <u>(1,637)</u> | <u>(637,012)</u> |
| Total other financing sources (uses) | <u>(583,500)</u> | <u>584,200</u> | <u>(51,875)</u> | <u>51,175</u> | <u>-</u> |
| Net change in fund balances | 554,853 | 406,804 | (1,727,895) | (158,187) | (924,425) |
| Fund cash balances at beginning of year (restated) | <u>6,818,164</u> | <u>1,594,115</u> | <u>1,882,882</u> | <u>910,375</u> | <u>11,205,536</u> |
| Fund cash balances at end of year | <u>\$ 7,373,017</u> | <u>\$ 2,000,919</u> | <u>\$ 154,987</u> | <u>\$ 752,188</u> | <u>\$ 10,281,111</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, 2020

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Budgetary basis receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 3,702,561 | \$ 3,536,093 | \$ 3,737,870 | \$ 201,777 |
| Income taxes. | 1,916,363 | 1,919,485 | 1,934,638 | 15,153 |
| Tuition. | 237,865 | 252,886 | 240,133 | (12,753) |
| Earnings on investments | 55,490 | 45,000 | 56,019 | 11,019 |
| Classroom materials and fees | 51,702 | 52,000 | 52,195 | 195 |
| Rental income | 10,411 | 12,500 | 10,510 | (1,990) |
| Contributions and donations | 14,344 | 15,300 | 14,481 | (819) |
| Other local revenues | 206,635 | 171,776 | 208,606 | 36,830 |
| Intergovernmental - state | 3,942,616 | 4,009,258 | 3,966,088 | (43,170) |
| Total budgetary basis receipts | <u>10,137,987</u> | <u>10,014,298</u> | <u>10,220,540</u> | <u>206,242</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,534,512 | 6,115,098 | 5,124,118 | 990,980 |
| Special. | 853,789 | 542,428 | 959,754 | (417,326) |
| Vocational. | 158,112 | 113,953 | 136,088 | (22,135) |
| Support services: | | | | |
| Pupil. | 598,825 | 432,537 | 471,108 | (38,571) |
| Instructional staff | 221,906 | 151,200 | 228,546 | (77,346) |
| Board of education | 37,002 | 27,010 | 30,792 | (3,782) |
| Administration. | 603,291 | 458,211 | 598,503 | (140,292) |
| Fiscal | 322,956 | 252,156 | 284,000 | (31,844) |
| Operations and maintenance. | 1,086,218 | 966,098 | 891,011 | 75,087 |
| Pupil transportation | 313,970 | 248,691 | 177,002 | 71,689 |
| Central. | 29,665 | 24,015 | 27,587 | (3,572) |
| Extracurricular activities. | 376,060 | 285,097 | 309,236 | (24,139) |
| Facilities acquisition and construction | 243 | - | 750 | (750) |
| Total budgetary basis disbursements | <u>10,136,549</u> | <u>9,616,494</u> | <u>9,238,495</u> | <u>377,999</u> |
| Excess of budgetary basis receipts over budgetary basis disbursements. | <u>1,438</u> | <u>397,804</u> | <u>982,045</u> | <u>584,241</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 122,190 | 102,655 | 123,355 | 20,700 |
| Transfers in | - | - | 30,007 | 30,007 |
| Transfers (out). | - | (614,210) | (614,207) | 3 |
| Sale of capital assets | 7,826 | 8,000 | 7,901 | (99) |
| Total other financing sources (uses) | <u>130,016</u> | <u>(503,555)</u> | <u>(452,944)</u> | <u>50,611</u> |
| Net change in fund balance | 131,454 | (105,751) | 529,101 | 634,852 |
| Unencumbered fund balance at beginning of year . . | 6,574,792 | 6,574,792 | 6,574,792 | - |
| Prior year encumbrances appropriated | 188,801 | 188,801 | 188,801 | - |
| Unencumbered fund balance at end of year | <u>\$ 6,895,047</u> | <u>\$ 6,657,842</u> | <u>\$ 7,292,694</u> | <u>\$ 634,852</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 487th largest in the State of Ohio (among 610 school districts) in terms of enrollment. It is staffed by 33 classified employees, 60 certified teaching personnel, and 6 administrative employees who provide services to 854 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, Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, 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, 2020

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.

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.

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. All funds of the School District are governmental funds.

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 School District and the Ohio Facilities Construction Commission (OFCC) for the building and equipping of classroom facilities.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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 2020, the School District’s investments consisted of negotiable and nonnegotiable certificates of deposit, and United States Treasury Bills, 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 2020 was \$56,019, which includes \$16,101 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.

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, 2020.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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 and net OPEB asset, 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2020, the School District has implemented GASB Statement No. 84 "*Fiduciary Activities*" and GASB Statement No. 90 "*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds, and they have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

| | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------|-----------------------------------|--------------------------------|
| Fund cash balance | | |
| previously reported | \$ 821,511 | \$ 11,116,672 |
| GASB Statement No. 84 | <u>88,864</u> | <u>88,864</u> |
| Restated fund cash balance | | |
| at June 30, 2019 | <u>\$ 910,375</u> | <u>\$ 11,205,536</u> |

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities at June 30, 2019 have been restated as follows:

| | Governmental Activities |
|----------------------------|----------------------------|
| Net cash position | |
| as previously reported | \$ 11,116,672 |
| GASB Statement No. 84 | <u>88,864</u> |
| Restated net cash position | |
| at June 30, 2019 | <u>\$ 11,205,536</u> |

Related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and net cash position of \$88,864.

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the School District had \$9,005 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, 2020, the carrying amount of all School District deposits was \$7,142,176 and the bank balance of all School District deposits was \$7,283,158. Of the bank balance, \$6,713,520 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$569,638 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School 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 School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the School 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 School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2020, the School District had the following investments and maturities:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>Investment Maturities</u> 6 months or less |
|------------------------|-----------------------|---|
| U.S. Treasury Bill | \$ 1,629,930 | \$ 1,629,930 |
| Negotiable CD's | <u>1,500,000</u> | <u>1,500,000</u> |
| Total | <u>\$ 3,129,930</u> | <u>\$ 3,129,930</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 U.S. Treasury Bill investment was rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

The following table includes the percentage of each investment type held by the School District at June 30, 2020:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>% of Total</u> |
|------------------------|-----------------------|-------------------|
| U.S. Treasury Bill | \$ 1,629,930 | 52.08 |
| Negotiable CD's | <u>1,500,000</u> | <u>47.92</u> |
| Total | <u>\$ 3,129,930</u> | <u>100.00</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, 2020:

| | |
|--|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 7,142,176 |
| Investments | 3,129,930 |
| Cash on hand | <u>9,005</u> |
| Total | <u>\$ 10,281,111</u> |
| <u>Cash and Investments per Statement of Net Position - Cash Basis</u> | |
| Governmental activities | <u>\$ 10,281,111</u> |
| Total | <u>\$ 10,281,111</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, 2020

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 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, 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, 2020, are available to finance fiscal year 2020 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 2020 taxes were collected are:

| | 2019 Second Half Collections | | 2020 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 155,089,720 | 98.87 | \$ 157,783,750 | 98.74 |
| Public utility personal | <u>1,777,290</u> | <u>1.13</u> | <u>2,016,370</u> | <u>1.26</u> |
| Total | <u>\$ 156,867,010</u> | <u>100.00</u> | <u>\$ 159,800,120</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$52.87 | | \$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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported on the fund financial statements:

| <u>Transfers to the Bond Retirement fund from:</u> | <u>Amount</u> |
|---|-------------------|
| General fund | \$ 583,500 |
| Nonmajor governmental fund | <u>700</u> |
| | <u>\$ 584,200</u> |
| | |
| <u>Transfers to nonmajor governmental funds from:</u> | <u>Amount</u> |
| Classroom Facilities fund | \$ 51,875 |
| Nonmajor governmental fund | <u>937</u> |
| | <u>\$ 52,812</u> |

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.

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. During fiscal year 2020, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

| | |
|-----------------------|--------------|
| General Liability | |
| Per Occurrence | \$ 5,000,000 |
| Aggregate | 7,000,000 |
| Automobile Liability | 5,000,000 |
| Building and Contents | 48,928,653 |
| Earthquake | 30,000,000 |

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

For fiscal year 2020, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Mercer-Auglaize Employee Welfare Trust (the "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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 9 - RISK MANAGEMENT - (Continued)

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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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, 2020

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 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$140,797 for fiscal year 2020.

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, 2020**

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% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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 to 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 2020, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$639,995 for fiscal year 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2019, 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 | 0.02866550% | 0.03691257% | |
| Proportion of the net pension liability current measurement date | <u>0.02771410%</u> | <u>0.03761163%</u> | |
| Change in proportionate share | <u>-0.00095140%</u> | <u>0.00069906%</u> | |
| Proportionate share of the net pension liability | \$ 1,658,183 | \$ 8,317,586 | \$ 9,975,769 |

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, 2019, are presented below:

| | |
|--|---|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50% |
| Investment rate of return | 7.50% 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, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

For 2019, 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% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% 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 average 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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| 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 | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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%). 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.

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%, 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%), or one percentage point higher (8.50%) than the current rate.

| | Current | | |
|---|--------------|---------------|--------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| School District's proportionate share of the net pension liability | \$ 2,323,707 | \$ 1,658,183 | \$ 1,100,058 |

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

| | July 1, 2019 |
|--------------------------------------|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% |

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

| Asset Class | Target Allocation* | Long-Term Expected Real Rate of Return ** |
|----------------------|-----------------------|--|
| 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 | 100.00 % | |

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---------------|--------------------------|--------------|
| School District's proportionate share of the net pension liability | \$ 12,155,225 | \$ 8,317,586 | \$ 5,068,828 |

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset 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/asset 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/asset. Resulting adjustments to the net OPEB liability/asset 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.

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment 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 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$17,275.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$17,275 for fiscal year 2020.

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, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset 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:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|--------------------|--------------|
| Proportion of the net OPEB liability prior measurement date | 0.02886960% | 0.03691257% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.02839010%</u> | <u>0.03761163%</u> | |
| Change in proportionate share | <u>-0.00047950%</u> | <u>0.00069906%</u> | |
| Proportionate share of the net OPEB liability | \$ 713,951 | \$ - | \$ 713,951 |
| Proportionate share of the net OPEB asset | \$ - | \$ (622,939) | \$ (622,939) |

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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019 are presented below:

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.13% |
| Prior measurement date | 3.62% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.22% |
| Prior measurement date | 3.70% |
| Medical trend assumption: | |
| Measurement date | |
| Medicare | 5.25 to 4.75% |
| Pre-Medicare | 7.00 to 4.75% |
| Prior measurement date | |
| Medicare | 5.375 to 4.75% |
| Pre-Medicare | 7.25 to 4.75% |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% 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%, 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| 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 | 10.00 | 3.00 |
| Total | 100.00 % | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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 3.13%, as of June 30, 2019 (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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---|--------------------------|-------------|
| | School District's proportionate share of the net OPEB liability | \$ 866,601 | \$ 713,951 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--|---|-----------------------|-------------|
| | School District's proportionate share of the net OPEB liability | \$ 572,020 | \$ 713,951 |

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

| | July 1, 2019 | | July 1, 2018 | |
|--------------------------------------|---|----------|---|----------|
| | Initial | Ultimate | Initial | Ultimate |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discounted rate of return | 7.45% | | 7.45% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | | | | |
| Medical | | | | |
| Pre-Medicare | 5.87% | 4.00% | 6.00% | 4.00% |
| Medicare | 4.93% | 4.00% | 5.00% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 7.73% | 4.00% | 8.00% | 4.00% |
| Medicare | 9.62% | 4.00% | -5.23% | 4.00% |

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**MINSTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 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 | 1.00 | 2.25 |
| Total | <u>100.00 %</u> | |

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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 OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset 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.

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|---|----------------------------------|--------------------|
| | School District's proportionate share of the net OPEB asset | \$ 531,554 | \$ 622,939 |

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|--|---|-------------------------------|--------------------|
| | School District's proportionate share of the net OPEB asset | \$ 706,384 | \$ 622,939 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

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-two and a half days for all employees.

B. Health Care Benefits

The School District provides employee medical, dental, and prescription drug benefits through the Southwestern Ohio Educational Purchasing Council. 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. Be entering their first year that they are eligible to retire;
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 2020, the School District entered into capital leases for copiers. These leases were a renewal of capital leases that the District entered into in fiscal year 2015. 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 2020 fiscal year totaled \$10,302. This amount is reflected as debt service principal retirement in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2021 | \$ 9,300 |
| 2022 | 9,300 |
| 2023 | 9,300 |
| 2024 | 9,300 |
| 2025 | <u>4,650</u> |
| Total minimum lease payments | 41,850 |
| Less: amount representing interest | <u>(4,444)</u> |
| Total | <u>\$ 37,406</u> |

NOTE 14 - LONG-TERM OBLIGATIONS

The table that follows summarizes the changes in the School District's long-term obligations during fiscal year 2020.

| | <u>Balance Outstanding 06/30/19</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance Outstanding 06/30/20</u> | <u>Amounts Due in One Year</u> |
|--|---|------------------|-----------------------|---|--|
| Governmental Activities: | | | | | |
| Series 2015 school improvement refunding bonds: | | | | | |
| Current interest bonds | \$ 7,485,000 | \$ - | \$ (745,000) | \$ 6,740,000 | \$ 760,000 |
| School Facilities Construction and Improvement bond | 6,195,000 | - | (415,000) | 5,780,000 | \$ 425,000 |
| Capital lease obligation | <u>6,641</u> | <u>41,067</u> | <u>(10,302)</u> | <u>37,406</u> | <u>7,062</u> |
| Total long-term obligations | <u>\$ 13,686,641</u> | <u>\$ 41,067</u> | <u>\$ (1,170,302)</u> | <u>\$ 12,557,406</u> | <u>\$ 1,192,062</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 2.0 – 3.5 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity stated 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.

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 stated 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, 2020

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> |
| 2021 | \$ 760,000 | \$ 201,688 |
| 2022 | 780,000 | 186,487 |
| 2023 | 820,000 | 163,088 |
| 2024 | 840,000 | 142,587 |
| 2025 | 860,000 | 117,388 |
| 2026 - 2028 | <u>2,680,000</u> | <u>185,037</u> |
| Total | <u>\$ 6,740,000</u> | <u>\$ 996,275</u> |

| Fiscal Year Ending June 30, | <u>School Facilities Construction and Improvement Bonds, Series 2017</u> | |
|-----------------------------------|--|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| | 2021 | \$ 425,000 |
| 2022 | 430,000 | 156,550 |
| 2023 | 440,000 | 147,950 |
| 2024 | 450,000 | 139,150 |
| 2025 | 455,000 | 130,150 |
| 2026 - 2030 | 2,460,000 | 471,938 |
| 2031 - 2032 | <u>1,120,000</u> | <u>56,200</u> |
| Total | <u>\$ 5,780,000</u> | <u>\$ 1,266,988</u> |

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 ended in December 2019. The District entered into a new capital lease obligation with Perry Pro Tech for copiers in fiscal year 2020. This agreement began November 13, 2019 and will end in December 2025. 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, 2020, are a voted debt margin of \$3,862,930 (including available funds of \$2,000,919) and an unvoted debt margin of \$159,800.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 cash receipts, cash disbursements and changes in fund cash 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 cash basis to the budgetary basis for the general fund is as follows:

Net Change in Fund Balance

| | <u>General</u> |
|-----------------------------|----------------|
| Cash basis | \$ 554,853 |
| Adjustment for encumbrances | (1,131) |
| Funds budgeted elsewhere | (24,621) |
| Budget basis | \$ 529,101 |

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 fund.

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, 2020

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, 2019 | \$ - |
| Current year set-aside requirement | 149,755 |
| Current year offsets | (116,885) |
| Prior year offset from bond proceeds | <u>(32,870)</u> |
| Total | <u>\$ -</u> |
| Balance carried forward to fiscal year 2021 | <u>\$ -</u> |
| Set-aside balance June 30, 2020 | <u>\$ -</u> |

During fiscal year 2017, the District issued \$7,100,000 in capital related school improvement bonds. These proceeds may be used to offset the required capital improvements set-aside amount for future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$6,910,561 at June 30, 2020.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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. Southwestern Ohio Educational Purchasing Council

Beginning January 1, 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (the "MBP"), an insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

The School district participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating each educational service center or school district serves on the general assembly. Each year, the participating educational service centers and school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

The Trust still meets quarterly to discuss their performance within the MBP and plan design. The Trust is considering how to spend down the reserves held by the MABT either through reducing rate increases or premium holidays. Financial information can be obtained from the MBP, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Ohio Workers' Compensation Group Rating

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts than can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020.

B. Litigation

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

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE adjustments for fiscal year 2020 have been finalized and resulted in \$8,120 receivable to the District. This amount is not reported on the financial statements.

D. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The Village of Minster has entered into an agreement with The Dannon Company for the abatement of property taxes to bring jobs and economic development into the area. The agreement affects the property tax receipts collected and distributed to the School District. Under the agreement, the District property taxes were reduced by \$226,174. The District received \$98,841 in fiscal year 2020 and \$173,395 in fiscal year 2019 as compensation for the forgone property taxes in 2020.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

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, OH 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 Minster Local School District, Auglaize County, (the School District) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 1, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted that the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 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 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 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 financial statements. 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

School District's Response to Findings

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

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 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 School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2022

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2020

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

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 117.38 provides that 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 Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' 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.

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MINSTER LOCAL SCHOOLS

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Brenda Boeke
Superintendent

Laura Klosterman
Treasurer

Michelle Huelsman
Administrative Assistant

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2020

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|--|---------------|--|
| 2019-001 | Noncompliance: 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 2020-001 The Board has been recommended by the treasurer not to report using GAAP due to the extensive work to compile such a report and the expanded audit and costs associated with such an audit |
| 2019-002 | Noncompliance: Ohio Administrative Code Section 117-2-02(C)(1) requires the School District to integrate the budgetary accounts into the financial accounting system. The School District did not properly integrate the estimated resource budgetary information into the financial system for the fiscal year ended June 30, 2019 | Completed | The estimated resources are now integrated into the budgetary information in the financial system |

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OHIO AUDITOR OF STATE KEITH FABER



MINSTER LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/5/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov