



**Auditor of State  
Betty Montgomery**



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of Minster Local School District, Auglaize County, (the District), as of and for the years ended June 30, 2004 and June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the District, as of June 30, 2004 and June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 2.

As described in Note 3, during the year ended June 30, 2003, the District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 24, 2004

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Cash Receipts</b>						
Taxes	\$3,976,527		\$974,137	\$58,867		\$5,009,531
Intergovernmental	2,204,853	\$232,777	89,183	4,420		2,531,233
Earnings on Investments	2,591	188		3,385	\$138	6,302
Extracurricular Activities		136,202				136,202
Classroom Materials & Fees	22,404					22,404
Miscellaneous	175,194	34,231			2,056	211,481
<b>Total Cash Receipts</b>	<b>6,381,569</b>	<b>403,398</b>	<b>1,063,320</b>	<b>66,672</b>	<b>2,194</b>	<b>7,917,153</b>
<b>Cash Disbursements</b>						
Current:						
Instruction:						
Regular	3,633,024	78,534			2,485	3,714,043
Special	268,314	110,574				378,888
Vocational	241,648	702				242,350
Adult/Continuing	331					331
Support Services:						
Pupils	323,170					323,170
Instruction	232,283	9,582				241,865
Board of Education	37,227	2,358				39,585
Administration	585,299	13,304				598,603
Fiscal	199,722		22,423	1,415		223,560
Operation and Maintenance	783,825	1,066				784,891
Transportation	136,567					136,567
Central Services	41,689	14,000				55,689
Non-Instructional Services						
Extracurricular Activities	203,627	132,850			350	336,477
Capital Outlay	17,097			1,387,957		1,405,054
Debt Service			1,066,316			1,066,316
<b>Total Cash Disbursements</b>	<b>6,703,823</b>	<b>362,970</b>	<b>1,088,739</b>	<b>1,389,372</b>	<b>2,835</b>	<b>9,547,739</b>
Cash Receipts Over(Under) Cash Disbursements	(322,254)	40,428	(25,419)	(1,322,700)	(641)	(1,630,586)
<b>Other Financing Sources (Uses):</b>						
Sale of Assets	20					20
Refund of Prior Year Expenditures	2,640					2,640
Operating Transfers In				1		1
Operating Transfers Out	(1)					(1)
<b>Total Other Financing Sources (Uses)</b>	<b>2,659</b>			<b>1</b>		<b>2,660</b>
Cash Receipts and Other Sources Over(Under) Cash Disbursements and Other Uses	(319,595)	40,428	(25,419)	(1,322,699)	(641)	(1,627,926)
Fund Cash Balances at Beginning of Year						
Restated Note 3	79,201	57,650	168,164	1,678,007	13,499	1,996,521
<b>Fund Cash Balances (Deficits) at End of Year</b>	<b>(\$240,394)</b>	<b>\$98,078</b>	<b>\$142,745</b>	<b>\$355,308</b>	<b>\$12,858</b>	<b>\$368,595</b>

The accompanying notes are an integral part of the financial statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Receipts</b>				
Food Services	\$188,707			\$188,707
Extracurricular Activities			\$94,224	94,224
Classroom Materials and Fees	35,246			35,246
<b>Total Operating Receipts</b>	<b>223,953</b>		<b>94,224</b>	<b>318,177</b>
<b>Operating Disbursements</b>				
Salaries	111,017		66	111,083
Retirement & Insurances	39,757			39,757
Purchased Services	16,253	\$51,605	41,945	109,803
Materials and Supplies	126,692		39,794	166,486
Capital Outlay	11,595		704	12,299
Other Objects	427		5,800	6,227
<b>Total Operating Disbursements</b>	<b>305,741</b>	<b>51,605</b>	<b>88,309</b>	<b>445,655</b>
Operating Income (Loss)	(81,788)	(51,605)	5,915	(127,478)
<b>Non-Operating Receipts(Disbursements)</b>				
Taxes	18,042			18,042
Federal and State Subsidies	31,658			31,658
Earnings on Investments	147			147
Miscellaneous Revenues	302	59,585	22,606	82,493
Miscellaneous Expenses			(18,292)	(18,292)
<b>Total Non-Operating Receipts(Disbursements)</b>	<b>50,149</b>	<b>59,585</b>	<b>4,314</b>	<b>114,048</b>
Net Income (Loss)	(31,639)	7,980	10,229	(13,430)
Fund Cash Balance at Beginning of Year, Restated	66,261	5,598	32,920	104,779
<b>Fund Cash Balance at End of Year</b>	<b>\$34,622</b>	<b>\$13,578</b>	<b>\$43,149</b>	<b>\$91,349</b>

*The accompanying notes are an integral part of the financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental:</b>			
General Fund	\$6,553,851	\$6,384,229	(\$169,622)
Special Revenue Funds	305,737	403,398	97,661
Debt Service Funds	1,049,680	1,063,320	13,640
Capital Project Funds	65,315	66,673	1,358
<b>Proprietary:</b>			
Enterprise Funds	256,484	274,102	17,618
Internal Service Fund	69,000	59,585	(9,415)
<b>Fiduciary:</b>			
Expendable Trust Funds	<u>11,200</u>	<u>2,194</u>	<u>(9,006)</u>
<b>Total (Memorandum Only)</b>	<u><u>\$8,311,267</u></u>	<u><u>\$8,253,501</u></u>	<u><u>(\$57,766)</u></u>

*The accompanying notes are an integral part of this statement.*

MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding At 6/30/04	Total	Variance Favorable/ (Unfavorable)
<b>Governmental:</b>							
General Fund	\$16,666	\$6,876,928	\$6,893,594	\$6,703,824	\$43,206	\$6,747,030	\$146,564
Special Revenue Funds	8,996	393,061	402,057	362,970	36,655	399,625	2,432
Debt Service Funds		1,088,740	1,088,740	1,088,739		1,088,739	1
Capital Project Funds	867,472	783,680	1,651,152	1,389,372	144,700	1,534,072	117,080
<b>Proprietary:</b>							
Enterprise Funds	806	318,100	318,906	305,741	1,905	307,646	11,260
Internal Service Funds		52,000	52,000	51,605		51,605	395
<b>Fiduciary:</b>							
Expendable Trust Funds	668	2,168	2,836	2,835		2,835	1
<b>Total (Memorandum Only)</b>	<u>\$894,608</u>	<u>\$9,514,677</u>	<u>\$10,409,285</u>	<u>\$9,905,086</u>	<u>\$226,466</u>	<u>\$10,131,552</u>	<u>\$277,733</u>

The accompanying notes are an integral part of this statement.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Minster Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines. The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately thirty-one square miles. It is located in Auglaize, Mercer, Darke, and Shelby Counties. The District is the 513<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty-six certified teaching personnel, and five administrative employees who provide services to 923 students and other community members. The District currently operates three school buildings.

**A. Reporting Entity**

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

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

The District participates in four jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Northwest Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Mercer Auglaize School Employees Benefits Trust, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

As required by Ohio Administrative Code Section 117-2-03 (B) the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the District chose to present (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balance group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

**General Fund** - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Funds** - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**2. Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

**Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises and where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**Internal Service Funds** – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**3. Fiduciary Fund Type**

Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, non-expendable trust, and agency funds.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year.

Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records.

**E. Unpaid Vacation and Sick Leave**

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 District.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. RESTATEMENT OF FUND BALANCES**

During fiscal year 2004, in accordance with the Uniform School Accounting System, Fund 458 for IVDL (Interactive Video Distance Learning) grant funds, was reclassified from a Capital Project Fund Type to a Special Revenue Fund Type. This change had the following effect on fund balances as previously reported:

	<b>Special Revenue</b>	<b>Capital Projects</b>
Cash Fund Balance - June 30, 2003	\$ 56,450	\$1,679,207
Fund 458 Reclassification	1,200	(1,200)
Restated Fund Balance - July 1, 2003	\$ 57,650	\$1,678,007

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had deficit fund balances at June 30, 2004:

<b>Fund -</b>	<b>Fund Name</b>	<b>Deficit Amount</b>
001	General Fund	\$ 240,394
006	Food Service Fund	2,032

**B. Compliance**

Deficit cash balances existed in various District funds throughout the year in violation of Ohio Rev. Code Section 5705.10.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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;
5. 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; and
6. The State Treasurer's investment pool (STAR Ohio).

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$1,215 in undeposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *“Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”*.

At fiscal year end, the carrying amount of the District’s deposits was \$458,729 and the bank balance was \$463,760. Of the bank balance, \$116,454 was covered by federal depository insurance and the remaining amounts were covered by specific collateral.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Auglaize, Mercer, Darke, and Shelby Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$ 91,973,460	65.13%	\$ 93,579,760	68.32%
Public Utility	1,624,890	1.15	1,663,310	1.21
Tangible Personal	47,622,261	33.72	41,734,597	30.47
<b>Total Assessed Value</b>	<b>\$141,220,611</b>	<b>100.00%</b>	<b>\$136,977,667</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$47.07		\$53.47	

The District passed a 6.4 mill operating property tax levy in May 2003. Collections began in January 2004.

**7. RISK MANAGEMENT**

The 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 2004, the District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$ 1,000,000
Aggregate	3,000,000
Automobile Liability	3,000,000
Excess Liability	2,000,000

Coverage provided by Peerless Insurance Company is as follows:

Building and Contents	32,186,781
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Coverage provided by Ohio Casualty Insurance Company is as follows:

Musical Instruments	133,250
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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.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

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

For fiscal year 2004, the 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.

**8. CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Capitol Aluminum and Glass	Elementary Panels and Glass	\$82,468
H. A. Dorsten, Inc.	Middle School Construction	13,231

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002, was \$476,906, \$461,112, and \$325,852, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$441 made by the School District and \$420 made by plan members.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$59,567, \$45,432, and \$31,648, respectively; 49 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount was \$36,719.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$45,282 for fiscal year 2004.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**11. DEBT OBLIGATIONS**

Changes in the School District's debt obligations during fiscal year 2004 were as follows:

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
General Long-Term Obligations				
2000 School Improvement				
Serial Bonds 4.40 – 4.90%	\$3,395,000	\$0	\$355,000	\$3,040,000
Term Bonds 5.50 – 5.75%	9,850,000	0	0	9,850,000
Capital Appreciation Bonds	329,664	0	0	329,664
	<u>13,574,664</u>	<u>0</u>	<u>355,000</u>	<u>13,219,664</u>
Capital Appreciation Bond Accretion	886,487	67,710	0	954,197
Total General Obligation Bonds	<u>\$14,461,151</u>	<u>\$67,710</u>	<u>\$355,000</u>	<u>\$14,173,861</u>

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

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2015 through 2017 (with the balance of \$635,000 to be paid at stated maturity on December 1, 2018), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2015	\$560,000
2016	590,000
2017	615,000

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEBT OBLIGATIONS (Continued)**

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2019 through 2022 (with the balance of \$835,000 to be paid at stated maturity on December 1, 2023), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2019	\$650,000
2020	685,000
2021	730,000
2022	790,000

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2024 through 2026 (with the balance of \$965,000 to be paid at stated maturity on December 1, 2027), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2024	\$880,000
2025	930,000
2026	985,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

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

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

The capital appreciation bonds will mature in fiscal years 2011 through 2014. The maturity amount for the bonds is \$2,080,000. For fiscal year 2004, \$67,710 was accreted for a total bond value of \$1,283,861.

The District's overall debt margin was (\$748,929) with an unvoted debt margin of \$136,978 at June 30, 2004. On April 5, 1999, the Tax Equalization Department approved the District as a Special Needs District that allows them to have a negative debt margin.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEBT OBLIGATIONS (Continued)**

Principal and interest requirements to retire the notes and bonds outstanding at June 30, 2004 are as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2005	\$ 375,000	\$136,085	\$ 0	\$ 558,530
2006	390,000	118,393	0	558,530
2007	410,000	99,690	0	558,530
2008	430,000	79,842	0	558,530
2009	450,000	58,830	0	558,530
2010-2014	985,000	49,250	0	2,792,650
2015-2019	0	0	2,400,000	2,535,525
2020-2024	0	0	3,690,000	1,633,900
2025-2028	0	0	3,760,000	441,313
Totals	<u>\$3,040,000</u>	<u>\$542,090</u>	<u>\$9,850,000</u>	<u>\$10,196,038</u>

Fiscal Year Ending	General Obligation Bonds Capital Appreciation	
	Principal	Interest
	2005	\$ 0
2006	0	0
2007	0	0
2008	0	0
2009	0	0
2010-2014	264,539	1,295,460
2015	65,125	454,875
Totals	<u>\$329,664</u>	<u>\$1,750,335</u>

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

**12. 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 Krista Hart, Auglaize County Educational Service Center, 520 Industrial Drive, Wapakoneta, Ohio 45895.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**B. Northwest Ohio Regional Professional Development Center**

The Northwest Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**C. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**D. Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2004, the District paid \$41,562 to WOCO for various services. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

**13. INSURANCE POOLS**

**A. Mercer Auglaize Schools Employee Benefit Trust**

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. INSURANCE POOLS**

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

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

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

**C. Ohio School Plan**

The 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, the president of Harcum-Hyre 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-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**14. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. SET ASIDES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2003	(\$ 4)	(\$13,747,889)
Current Year Set Aside Requirement	128,214	128,214
Current Year Offsets	0	(58,867)
Qualifying Expenditures	(61,409)	0
Balance June 30, 2004	\$ 66,801	(\$13,678,542)
Amount Carried Forward to Fiscal Year 2005	\$ 66,801	(\$13,678,542)

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

**16. CONTINGENCIES**

**A. Grants**

The 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 District at June 30, 2004.

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts</b>						
Taxes	\$3,891,147		\$973,836	\$60,386		\$4,925,369
Intergovernmental	1,985,410	\$174,176	85,895	20,022		2,265,503
Earning on Investments	15,565	489		164,348	\$188	180,590
Extracurricular Activities		95,138				95,138
Classroom Materials & Fees	21,109					21,109
Miscellaneous	42,141	15,721		4,000	11,919	73,781
<b>Total Cash Receipts</b>	<b>5,955,372</b>	<b>285,524</b>	<b>1,059,731</b>	<b>248,756</b>	<b>12,107</b>	<b>7,561,490</b>
<b>Cash Disbursements</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,465,395	25,292		20,577	11,633	3,522,897
Special	328,723	131,385				460,108
Vocational	237,553					237,553
Adult/Continuing	624					624
<b>Support Services:</b>						
Pupils	260,796					260,796
Instruction	210,692	10,419				221,111
Board of Education	28,977	1,739				30,716
Administration	540,796	918				541,714
Fiscal	197,042	387	21,233	1,382		220,044
Operation and Maintenance	582,848	793				583,641
Transportation	150,520					150,520
Central Services	48,724	12,000				60,724
Non-Instructional Services	193					193
Extracurricular Activities	194,741	131,582				326,323
Capital Outlay	22,645			4,720,912		4,743,557
Debt Service			1,041,480			1,041,480
<b>Total Cash Disbursements</b>	<b>6,270,269</b>	<b>314,515</b>	<b>1,062,713</b>	<b>4,742,871</b>	<b>11,633</b>	<b>12,402,001</b>
Cash Receipts Over(Under) Cash Disbursements	(314,897)	(28,991)	(2,982)	(4,494,115)	474	(4,840,511)
<b>Other Financing Sources (Uses):</b>						
Sale of Assets	16,185					16,185
Refund of Prior Year Expenditures	27,325	2,388		10,747		40,460
Advances In	3,403	58				3,461
Advances Out	(58)	(3,403)				(3,461)
Operating Transfers In				24		24
Operating Transfers Out	(24)					(24)
<b>Total Other Financing Sources (Uses)</b>	<b>46,831</b>	<b>(957)</b>		<b>10,771</b>		<b>56,645</b>
Cash Receipts and Other Sources Over(Under) Cash Disbursements and Other Uses	(268,066)	(29,948)	(2,982)	(4,483,344)	474	(4,783,866)
<b>Fund Cash Balances at Beginning of Year</b>						
Restated Note 3	347,267	86,398	171,146	6,162,551	13,025	6,780,387
<b>Fund Cash Balances at End of Year</b>	<b>\$79,201</b>	<b>\$56,450</b>	<b>\$168,164</b>	<b>\$1,679,207</b>	<b>\$13,499</b>	<b>\$1,996,521</b>

The accompanying notes are an integral part of the financial statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Receipts</b>				
Food Services	\$165,647			\$165,647
Extracurricular Activities			\$84,385	84,385
Classroom Materials and Fees	34,667			34,667
<b>Total Operating Receipts</b>	<b>200,314</b>		<b>84,385</b>	<b>284,699</b>
<b>Operating Disbursements</b>				
Salaries	87,182		66	87,248
Retirement & Insurances	31,943			31,943
Purchased Services	21,280	\$70,544	47,580	139,404
Materials and Supplies	108,581		38,138	146,719
Capital Outlay	5,590			5,590
Other Objects	410			410
<b>Total Operating Disbursements</b>	<b>254,986</b>	<b>70,544</b>	<b>85,784</b>	<b>411,314</b>
Operating Income (Loss)	(54,672)	(70,544)	(1,399)	(126,615)
<b>Non-Operating Receipts(Disbursements)</b>				
Taxes	18,329			18,329
Federal and State Subsidies	26,613			26,613
Earnings on Investments	552			552
Miscellaneous Revenues	16	61,488	14,630	76,134
Miscellaneous Expenses			(15,713)	(15,713)
<b>Total Non-Operating Receipts and Disbursements</b>	<b>45,510</b>	<b>61,488</b>	<b>(1,083)</b>	<b>105,915</b>
Net Income (Loss)	(9,162)	(9,056)	(2,482)	(20,700)
Fund Cash Balance at Beginning of Year, Restated	75,423	14,654	35,402	125,479
<b>Fund Cash Balance at End of Year</b>	<b>\$66,261</b>	<b>\$5,598</b>	<b>\$32,920</b>	<b>\$104,779</b>

*The accompanying notes are an integral part of the financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR FISCAL THE YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental:</b>			
General Fund	\$6,143,470	\$5,998,882	(\$144,588)
Special Revenue Funds	289,862	287,912	(1,950)
Debt Service Funds	1,074,428	1,059,731	(14,697)
Capital Project Funds	212,007	259,527	47,520
<b>Proprietary:</b>			
Enterprise Funds	242,008	245,824	3,816
Internal Service Fund	60,500	61,488	988
<b>Fiduciary:</b>			
Expendable Trust Funds	<u>11,575</u>	<u>12,107</u>	<u>532</u>
<b>Total (Memorandum Only)</b>	<u><u>\$8,033,850</u></u>	<u><u>\$7,925,471</u></u>	<u><u>(\$108,379)</u></u>

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

MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Fund Types/Fund	Prior Year Carryover	2003	Total	Actual 2003 Disbursements	Encumbrances Outstanding At 6/30/03	Total	Variance Favorable/ (Unfavorable)
	<u>Appropriations</u>	<u>Appropriations</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
<b>Governmental:</b>							
General Fund	\$110,630	\$6,303,363	\$6,413,993	\$6,270,293	\$16,666	\$6,286,959	\$127,034
Special Revenue Funds	8,160	312,734	320,894	314,515	7,796	322,311	(1,417)
Debt Service Funds		1,064,480	1,064,480	1,062,713		1,062,713	1,767
Capital Project Funds	4,556,407	1,259,152	5,815,559	4,742,871	868,672	5,611,543	204,016
<b>Proprietary:</b>							
Enterprise Funds	2,819	274,500	277,319	254,986	806	255,792	21,527
Internal Service Funds		73,600	73,600	70,544		70,544	3,056
<b>Fiduciary:</b>							
Expendable Trust Funds	722	11,580	12,302	11,633	668	12,301	1
<b>Total (Memorandum Only)</b>	<u>\$4,678,738</u>	<u>\$9,299,409</u>	<u>\$13,978,147</u>	<u>\$12,727,555</u>	<u>\$894,608</u>	<u>\$13,622,163</u>	<u>\$355,984</u>

*The notes to the financial statements are an integral part of this statement.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Minster Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines. The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately thirty-one square miles. It is located in Auglaize, Mercer, Darke, and Shelby Counties. The District is the 511<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-seven classified employees, seventy certified teaching personnel, and five administrative employees who provide services to 919 students and other community members. The District currently operates three school buildings.

**A. Reporting Entity**

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

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

The District participates in four jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Northwest Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Mercer Auglaize School Employees Benefits Trust, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

As required by Ohio Administrative Code Section 117-2-03 (B) the School District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the School District chose to present (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balance group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

**General Fund** - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Funds** - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**2. Proprietary Fund Type**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

**Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises and where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Fund** - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**3. Fiduciary Fund Type**

Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, non-expendable trust, and agency funds.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificates of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**E. Unpaid Vacation and Sick Leave**

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.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. RESTATEMENT OF FUND BALANCE**

For fiscal year 2003, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive 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. This change had the following effect on fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Buildings</u>	<u>Other Governmental Fund</u>
Fund Balance, June 30, 2002	(\$147,165)	\$209,200	\$5,674,073	\$234,408
Accrual adjustments / Fund Reclassifications	494,432	(38,054)	488,478	(57,933)
Restated Fund Balance, July 1, 2001	<u>\$347,267</u>	<u>\$171,146</u>	<u>\$6,162,551</u>	
Special Revenue Restated Fund Balance, July 1, 2002				<u>\$86,398</u>
Enterprise Restated Fund Balance - July 1, 2002				<u>\$75,423</u>
Internal Service Restated Fund Balance, July 1, 2002				<u>\$14,654</u>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**3. RESTATEMENT OF FUND BALANCE (Continued)**

	<b>Private Purpose Trust</b>	<b>Agency</b>
Fund Balance, June 30, 2002	\$12,456	\$ 0
Accrual adjustments / Fund Reclassifications	569	35,402
Expendable Trust Restated Fund Balance, July 1, 2002	\$13,025	
Agency Restated Fund Balance, July 1, 2002		\$35,402

**4. COMPLIANCE**

**Compliance**

Deficit cash balances existed in various District funds throughout the year in violation of Ohio Rev. Code Section 5705.10.

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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 2 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;
5. 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; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$885 in undeposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *"Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements"*.

At fiscal year end, the carrying amount of the District's deposits was \$1,635,584 and the bank balance was \$1,644,575. Of the bank balance, \$301,579 was covered by federal depository insurance and the remaining amounts were covered by specific collateral.

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	<b>Category 2</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Federal Home Loan Bank	208,537	208,537	205,562
Federal Home Loan Mortgage Corporation	256,294	256,294	250,470
Totals		\$464,831	\$456,032

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Auglaize, Mercer, Darke, and Shelby Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2003 taxes were collected are:

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$ 84,397,410	62.63%	\$ 91,973,460	65.13%
Public Utility	1,557,220	1.16	1,624,890	1.15
Tangible Personal	48,800,360	36.21	47,622,261	33.72
Total Assessed Value	<u>\$134,754,990</u>	<u>100.00%</u>	<u>\$141,220,611</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.07		\$47.07	

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. RISK MANAGEMENT**

The 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 2003, the District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000

Coverage provided by Twin City Fire Insurance Company is as follows:	
Excess Liability	2,000,000

Coverage provided by Peerless Insurance Company is as follows:	
Building and Contents	31,147,131

Coverage provided by Ohio Casualty Insurance Company is as follows:	
Musical Instruments	133,250

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

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

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

For fiscal year 2003, the 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.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
United States Fire	Middle School Construction	\$ 9,174
Farnham Equipment Company	Middle School Construction	25,100
A1 Sprinkler	Middle School Construction	4,268
H. A. Dorsten, Inc.	Middle School Construction	263,085
Regal Plumbing and Heating, Inc.	Middle School Construction	75,164
Garmann/Miller Associates, Inc.	Architectural Services	7,704
COPP Systems	Media Retrieval System/Fiber Optics	38,440
H. A. Dorsten, Inc.	Elementary Renovations	271,404
Area Energy and Electric	Elementary Renovations	55,931
Innovative Office Solutions	Elementary Renovations	27,829
School Specialty, Inc.	Elementary Renovations	19,727
Farnham Equipment Company	Elementary Renovations	60,523
Regal Plumbing and Heating, Inc.	Elementary Renovations	116,150
Salem Office Products	Middle School Furnishings	54,460
Prenger Implement Store	Computers	78,481
Total		<u><u>\$1,107,440</u></u>

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001, was \$461,112, \$325,852, and \$311,921, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$1,077 made by the District and \$1,175 made by plan members.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$45,432, \$31,648, and \$22,075, respectively; 39 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2003, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount was \$35,553.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. The amount to fund health care benefits, including the surcharge, was \$51,503 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**11. DEBT OBLIGATIONS**

Changes in the District's debt obligations during fiscal year 2003 were as follows:

<b>General Long-Term Obligations</b>	<b>Balance at 6/30/02</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/03</b>
2000 School Improvement				
Serial Bonds 4.40 - 4.90%	\$ 3,710,000	\$ 0	\$315,000	\$ 3,395,000
Term Bonds 5.50 - 5.75%	9,850,000	0	0	9,850,000
Capital Appreciation Bonds	329,664	0	0	329,664
	<u>13,889,664</u>	<u>0</u>	<u>315,000</u>	<u>13,574,664</u>
Capital Appreciation Bond	822,351	64,136		886,487
Total General Obligation Bonds	<u>\$14,712,015</u>	<u>\$64,136</u>	<u>\$315,000</u>	<u>\$14,461,151</u>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. DEBT OBLIGATIONS (Continued)**

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

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2015 through 2017 (with the balance of \$635,000 to be paid at stated maturity on December 1, 2018), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2015	\$560,000
2016	590,000
2017	615,000

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2019 through 2022 (with the balance of \$835,000 to be paid at stated maturity on December 1, 2023), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2019	\$650,000
2020	685,000
2021	730,000
2022	790,000

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2024 through 2026 (with the balance of \$965,000 to be paid at stated maturity on December 1, 2027), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2024	\$880,000
2025	930,000
2026	985,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. DEBT OBLIGATIONS (Continued)**

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

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

The capital appreciation bonds will mature in fiscal years 2011 through 2014. The maturity amount for the bonds is \$2,080,000. For fiscal year 2003, \$64,136 was accreted for a total bond value of \$1,216,151.

The District's overall debt margin was (\$697,645) with an unvoted debt margin of \$141,221 at June 30, 2003. On April 5, 1999, the Tax Equalization Department approved the District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire the notes and bonds outstanding at June 30, 2003 are as follows:

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Serial</b>		<b>Term</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2004	\$355,000	\$152,786	\$0	\$558,530
2005	375,000	136,085	0	558,530
2006	390,000	118,393	0	558,530
2007	410,000	99,690	0	558,530
2008	430,000	79,843	0	558,530
2009-2013	1,435,000	108,080	0	2,792,650
2014-2018	0	0	1,765,000	2,650,063
2019-2023	0	0	3,490,000	1,837,895
2024-2028	0	0	4,595,000	681,310
Totals	\$3,395,000	\$694,877	\$9,850,000	\$10,754,568

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds Capital Appreciation</b>	
	<b>Principal</b>	<b>Interest</b>
	2004	\$ 0
2005	0	0
2006	0	0
2007	0	0
2008	0	0
2009-2013	189,108	850,891
2014	140,556	899,444
Totals	\$329,664	\$1,750,335

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. SET ASIDES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2003.

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2002	(\$44,141)	(\$13,806,287)
Current Year Set Aside Requirement	124,889	124,889
Current Year Offsets	0	(60,374)
Qualifying Expenditures	(80,752)	(6,117)
Balance June 30, 2003	(\$ 4)	(\$13,747,889)
Amount Carried Forward to Fiscal Year 2004	(\$ 4)	(\$13,747,889)

The District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set-aside amounts below zero. These amounts may be used to reduce the set aside requirements of future fiscal years.

**13. 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 Krista Hart, Auglaize County Educational Service Center, 520 Industrial Drive, Wapakoneta, Ohio 45895.

**B. Northwest Ohio Regional Professional Development Center**

The Northwest Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**C. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**D Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2003, the District paid \$25,319 to WOCO for various services. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

**14. INSURANCE POOLS**

**A. Mercer Auglaize Schools Employee Benefit Trust**

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**14. INSURANCE POOLS (Continued)**

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

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

**C. Ohio School Plan**

The 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, the president of Harcum-Hyre 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-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**15. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**16. CONTINGENCIES**

**A. Grants**

The 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 which 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, 2003.

**B. Litigation**

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



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of Minster Local School District, Auglaize County, (the District), as of and for the years ended June 30, 2004 and June 30, 2003, and have issued our report thereon dated November 24, 2004, wherein we noted that the District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance we must report under *Government Auditing Standards*, and is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated November 24, 2004.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Internal Control Over Financial Reporting  
(Continued)**

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated November 24, 2004.

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



**Betty Montgomery**  
Auditor of State

November 24, 2004

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2004 AND JUNE 30, 2003**

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

**FINDING NUMBER 2004-001**

**Ohio Rev. Code Section 5705.10**, states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. The following funds were found to have deficit balances in the months listed, during fiscal years 2004 and 2003, by a maximum of the amounts listed. The General and Food Service funds had deficit fund balances at June 30, 2004, in the amounts listed.

<b>Fund</b>	<b>Months in Deficit</b>	<b>Maximum Deficit Amount</b>
001-0000 – General Fund	January, February, May and June 2004	\$240,394
006-0000 – Food Service	June 2004	\$2,032
516-9004 – Title VI-B	August and December 2003 January and February 2004	\$14,379
516-9003 – Title VI-B	July, August and December 2003 January, April and May 2004	\$12,544
572-9003 – Title I FY2003	January, April and May 2003	\$2,225
590-9004 – Eisenhower and Class Size Reduction	August, September, October, November and December 2003, January and February 2004	\$7,850
590-9003 – Eisenhower and Class Size Reduction	January, April and May 2003	\$8,155

Procedures should be developed to monitor fund balances and identify those funds that may potentially fall into a negative balance. Advances may be made to cover shortfalls. Reference may be made to Audit Bulletin 97-003 for guidance.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 28, 2004**