



Mary Taylor, CPA
Auditor of State

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minster Local School District, Auglaize County, (the School District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minster Local School District, Auglaize County, as of June 30, 2008 and 2007, and the respective changes in the cash basis financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 23, 2009

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED**

The discussion and analysis of Minster Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2008 and June 30, 2007, within the limitations of cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

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

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

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

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

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

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal years 2008 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

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

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

Reporting The School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement debt service fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2008, 2007 and 2006:

	Table 1 Net Assets 2008	2007	2006
Assets:			
Cash and Cash Equivalents	\$1,311,688	\$863,814	\$417,729
Net Assets:			
Restricted	533,766	568,505	463,879
Unrestricted	777,922	295,309	(46,150)
Total Net Assets	\$1,311,688	\$863,814	\$417,729

During fiscal year 2008, total net assets increased \$447,874 and unrestricted net assets increased \$482,613. These significant increases are due to receipts continuing to exceed disbursements. While fiscal year 2007, total net assets increased \$446,085 and unrestricted net assets increased \$341,459. These significant increases are due to budget cuts made by the School District.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal years 2008, 2007, and 2006.

**Table 2
Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007	Governmental Activities 2006
Receipts:			
Program Receipts:			
Charges for Services	\$483,624	\$440,795	\$1,280,521
Operating Grants and Contributions	441,375	436,844	350,581
Capital Grants and Contributions	8,849	3,909	2,223
Total Program Receipts	<u>933,848</u>	<u>881,548</u>	<u>1,633,325</u>
General Receipts:			
Property Taxes Levied for –			
General Purposes	4,031,889	4,302,187	4,764,316
Recreation	15,333	17,912	18,563
Debt Service	789,619	855,296	959,500
Permanent Improvements	45,860	55,761	60,131
Income Taxes	475,520	40,571	0
Grants and Entitlements	3,472,637	3,058,847	2,488,192
Interest	56,416	42,555	14,922
Miscellaneous	129,417	136,253	154,856
Total General Receipts	<u>9,016,691</u>	<u>8,509,382</u>	<u>8,460,480</u>
Total Receipts	<u>9,950,539</u>	<u>9,390,930</u>	<u>10,093,805</u>
Disbursements:			
Instruction:			
Regular	4,143,360	3,987,013	4,925,283
Special	601,908	577,988	472,682
Vocational	222,822	224,416	232,874
Support Services:			
Pupils	396,184	302,251	277,413
Instructional Staff	318,230	240,165	249,854
Board of Education	33,084	36,334	34,583
Administration	593,338	492,773	626,282
Fiscal	253,088	260,262	236,422
Operation and Maintenance of Plant	849,547	844,925	974,426
Pupil Transportation	264,727	176,689	182,144
Central	55,943	67,681	53,570
Non-instructional Services	319,485	292,823	267,638
Extracurricular Activities	307,062	336,104	372,785
Capital Outlay	97,513	60,225	216,380
Debt Service:			
Principal Retirement	565,000	540,000	685,000
Interest and Fiscal Charges	481,374	505,196	530,274
Total Disbursements	<u>9,502,665</u>	<u>8,944,845</u>	<u>10,337,610</u>
Increase in Net Assets	447,874	446,085	(243,805)
Net Assets at Beginning of Year	863,814	417,729	661,534
Net Assets at End of year	<u>\$1,311,688</u>	<u>\$863,814</u>	<u>\$417,729</u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

For fiscal year 2008, program receipts remained fairly comparable to the prior fiscal year with a slight increase in charges for services due to open enrollment fees.

General receipts also remained fairly comparable to the prior fiscal year with just a 6 percent increase overall. The decrease in property taxes was primarily due to the reduction and eventual elimination of tangible personal property taxes. The School District received a full year of income tax receipts. The income tax levy began on January 1, 2007. Grants and entitlements increased from foundation receipts increasing from students previously attending a community school.

Total disbursements increased by 6 percent from fiscal year 2007. The School District paid for leaves of absences from regular instruction which then required the use of long-term substitutes to cover those classrooms. Pupil support services increased from an increase in the excess costs paid to the Auglaize County Educational Service Center. Instructional staff support services increased from the employment of a tech coordinator and software updates. The increase in the administrative support services was created from the School District employing an additional assistant principal and giving all administrators a 4 percent increase in salaries. Operations and maintenance of plant support services increased from making repairs to the elementary and high school buildings and the purchase of classroom furniture. The increase in fuel costs created the increase in transportation support service expenses.

For fiscal year 2007, the decrease in charges for services from 2006 resulted from no longer providing services to the Minster Community School. Operating grants and contributions increased from an increase in grant allocations for special and vocational instruction and a donation from Dannon Corporation for a wellness program. Capital grants and contributions increased slightly.

The decrease in property taxes for 2007 was primarily from receiving a \$300,000 advance against the October 2006 settlement in tangible personal property in June 2006 and a decrease in overall tangible personal property taxes. The School District received \$588,236 in the tangible personal property reimbursement; thereby, increasing the grants and entitlements not restricted to specific programs.

Significant cuts were implemented in fiscal year 2007. Six full-time teachers were laid off, one administrative position was cut, a support staff position was not replaced after the employee retired, extended service days were cut from the high school guidance and vocational programs, the technology coordinator position was replaced with a service contract with the A-site, six coaching positions were cut, and the drivers' education class was eliminated. Field trips were cut to one per grade level for grades kindergarten through eighth grade and by curriculum level at the high school, supply and equipment orders were limited to necessity, and professional development was limited to only those courses applicable to a grant.

In addition, the School District no longer pays for open enrollment for students enrolled in the Minster Community School which decreased regular instruction disbursements by approximately \$803,000. The most significant program receipts in fiscal year 2006 had been with providing services to the Minster Community School. At June 30, 2006, Minster Community School stopped operations; therefore, no additional services were provided thereby reducing program receipts.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Instruction:				
Regular	\$4,143,360	\$3,987,013	\$4,022,216	\$3,872,387
Special	601,908	577,988	288,425	305,101
Vocational	222,822	224,416	202,894	206,423
Support Services:				
Pupils	396,184	302,251	393,444	302,151
Instructional Staff	318,230	240,165	318,230	240,165
Board of Education	33,084	36,334	33,084	36,334
Administration	593,338	492,773	593,338	492,773
Fiscal	253,088	260,262	253,088	260,262
Operation and Maintenance of Plant	849,547	844,925	847,547	844,925
Pupil Transportation	264,727	176,689	252,899	162,601
Central	55,943	67,681	41,943	53,681
Non-instructional Services	319,485	292,823	(11,531)	(23,815)
Extracurricular Activities	307,062	336,104	189,353	204,888
Capital Outlay	97,513	60,225	97,513	60,225
Debt Service:				
Principal Retirement	565,000	540,000	565,000	540,000
Interest and Fiscal Charges	481,374	505,196	481,374	505,196
Total Disbursements	<u>\$9,502,665</u>	<u>\$8,944,845</u>	<u>\$8,568,817</u>	<u>\$8,063,297</u>

Overall, 90 percent of disbursements were paid with general receipts, which is comparable to fiscal year 2007. The most significant program receipts in fiscal year 2008 relate to food service, sport activities, and trip charges that are received to finance these activities. Food service also receives federal and state funds for providing meals to students.

The School District's Funds

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

For fiscal year 2008, General Fund receipts increased 7.6 percent from the prior fiscal year largely the result of receiving four quarters of income tax receipts. Disbursements increased 6.8 percent as a result of increasing staff, the purchase of a bus, and the purchase of instructional equipment and supplies. While property tax receipts and carryover cash balances in the Bond Retirement debt service fund continue to be sufficient to cover debt service requirements.

For fiscal year 2007, General Fund receipts decreased 9.4 percent from the prior fiscal year from no longer providing services to Minster Community School. Disbursements decreased 13 percent as a result of significant budget cuts. The result was an increase in fund balance that eliminated the deficit fund balance. In the Bond Retirement debt service fund, sufficient property taxes were collected for the retirement of general obligation bonds.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

Budgetary Highlights

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

During fiscal year 2008, there was no change in receipts from the original budget to the final budget and changes from the final budget to actual receipts were not significant. For disbursements, the change from the original budget to the final budget and from the final budget to actual disbursements was not significant.

During fiscal year 2007, there was a decrease of 9 percent from the receipts original budget to the final budget and changes from the final budget to actual receipts were not significant. For disbursements, the change from the original budget to the final budget and from the final budget to actual disbursements was not significant.

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

Current Issues

During fiscal year 2008, the School District received \$457,000 less in the October 2008 tangible personal property tax settlement from the anticipated decrease based on House Bill 66. Also, four staff members retired and were replaced in fiscal year 2009 with lesser experienced teachers. The School District added an employee to add a health course and a part-time athletic director to be paid from the General Fund. An aide for reading intervention was hired and will be paid from a grant. The School District has received Title I resources to be used to offset a teacher's salary from the General Fund. IDEA Part B grant resources will be reduced in fiscal year 2009.

A federal audit is currently ongoing and the final results remain undetermined; however, currently results indicate a possible finding of approximately \$200,000 that could be required to be repaid for the operations of the Minster Community School, a former discretely component unit of the School District. Confirmation on how the repayment will occur for the federal portion of the finding has not been received.

During fiscal year 2007, the School District received \$200,000 less in the October 2007 tangible personal property tax settlement from the anticipated decrease based on House Bill 66. Also for fiscal year 2007, the School District hired an assistant principal, and intervention specialist, a technical coordinator, and choir/assistant band director. The freeze on disbursements was lifted; however, the principals of each instructional building have been instructed to spend only \$80 to \$90 per student for instructional supplies. The School District also purchased new science books and related kits for all grades.

Request For Information

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,311,688</u>
Net Assets	
Restricted for:	
Debt Service	372,072
Capital Projects	57,213
Athletics	56,424
Other Purposes	48,057
Unrestricted	<u>777,922</u>
Total Net Assets	<u><u>\$1,311,688</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Cash Receipts			Capital Grants and Contributions	Net (Disbursement) Receipt and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$4,143,360	\$81,948	\$32,718	\$6,478	(\$4,022,216)
Special	601,908	7,722	305,761		(288,425)
Vocational	222,822		19,928		(202,894)
Support Services:					
Pupils	396,184		2,740		(393,444)
Instructional Staff	318,230				(318,230)
Board of Education	33,084				(33,084)
Administration	593,338				(593,338)
Fiscal	253,088				(253,088)
Operation and Maintenance of Plant	849,547		2,000		(847,547)
Pupil Transportation	264,727		9,457	2,371	(252,899)
Central	55,943		14,000		(41,943)
Noninstructional Services	319,485	280,924	50,092		11,531
Extracurricular Activities	307,062	113,030	4,679		(189,353)
Capital Outlay	97,513				(97,513)
Debt Service:					
Principal Retirement	565,000				(565,000)
Interest and Fiscal Charges	481,374				(481,374)
Total Governmental Activities	\$9,502,665	\$483,624	\$441,375	\$8,849	(8,568,817)
General Receipts					
Property Taxes Levied for:					
General Purposes					4,031,889
Recreation					15,333
Debt Service					789,619
Permanent Improvements					45,860
Income Taxes					475,520
Grants and Entitlements not Restricted to Specific Programs					3,472,637
Interest					56,416
Miscellaneous					129,417
Total General Receipts					9,016,691
Change in Net Assets					447,874
Net Assets at Beginning of Year					863,814
Net Assets at End of Year					\$1,311,688

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$791,438	\$372,072	\$143,086	\$1,306,596
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	5,092			5,092
Total Assets	<u>796,530</u>	<u>372,072</u>	<u>143,086</u>	<u>1,311,688</u>
Fund Balances				
Reserved for Bus Purchases	2,371			2,371
Reserved for Unclaimed Monies	2,721			2,721
Reserved for Encumbrances	11,585		43,266	54,851
Unreserved, Reported in:				
General Fund	779,853			779,853
Special Revenue Funds			67,244	67,244
Debt Service Fund		372,072		372,072
Capital Projects Funds			32,576	32,576
Total Fund Balances	<u>\$796,530</u>	<u>\$372,072</u>	<u>\$143,086</u>	<u>\$1,311,688</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts				
Property Taxes	\$4,031,889	\$789,619	\$61,193	\$4,882,701
Income Taxes	475,520			475,520
Intergovernmental	3,311,012	306,866	287,006	3,904,884
Interest	56,405		11	56,416
Tuition and Fees	89,670			89,670
Charges for Services			280,924	280,924
Extracurricular Activities			113,030	113,030
Gifts and Donations	13,298		4,679	17,977
Miscellaneous	114,825		14,592	129,417
Total Receipts	<u>8,092,619</u>	<u>1,096,485</u>	<u>761,435</u>	<u>9,950,539</u>
Disbursements				
Current:				
Instruction:				
Regular	4,049,833		93,527	4,143,360
Special	438,444		163,464	601,908
Vocational	222,822			222,822
Support Services:				
Pupils	396,184			396,184
Instructional Staff	302,621		15,609	318,230
Board of Education	31,867		1,217	33,084
Administration	591,882		1,456	593,338
Fiscal	230,356	20,355	2,377	253,088
Operation and Maintenance of Plant	834,518		15,029	849,547
Pupil Transportation	264,727			264,727
Central	41,943		14,000	55,943
Non-instructional Services			319,485	319,485
Extracurricular Activities	177,268		129,794	307,062
Capital Outlay	24,202		73,311	97,513
Debt Service:				
Principal Retirement		565,000		565,000
Interest and Fiscal Charges		481,374		481,374
Total Disbursements	<u>7,606,667</u>	<u>1,066,729</u>	<u>829,269</u>	<u>9,502,665</u>
Excess of Receipts Over (Under) Disbursements	<u>485,952</u>	<u>29,756</u>	<u>(67,834)</u>	<u>447,874</u>
Other Financing Sources (Uses)				
Transfers In			79,117	79,117
Transfers Out	(79,117)			(79,117)
Total Other Financing Sources (Uses)	<u>(79,117)</u>		<u>79,117</u>	
Changes in Fund Balances	406,835	29,756	11,283	447,874
Fund Balances at Beginning of Year	<u>389,695</u>	<u>342,316</u>	<u>131,803</u>	<u>863,814</u>
Fund Balances at End of Year	<u>\$796,530</u>	<u>\$372,072</u>	<u>\$143,086</u>	<u>\$1,311,688</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts				
Property Taxes	\$4,291,177	\$4,291,177	\$4,031,889	(\$259,288)
Income Taxes	414,000	414,000	475,520	61,520
Intergovernmental	3,127,646	3,127,646	3,311,012	183,366
Interest	70,000	70,000	56,405	(13,595)
Tuition and Fees	74,389	74,389	89,670	15,281
Gifts and Donations	8,258	8,258	13,298	5,040
Miscellaneous	98,750	98,750	114,825	16,075
Total Receipts	<u>8,084,220</u>	<u>8,084,220</u>	<u>8,092,619</u>	<u>8,399</u>
Disbursements				
Current:				
Instruction:				
Regular	4,159,834	4,113,024	4,051,535	61,489
Special	413,846	420,806	438,444	(17,638)
Vocational	187,335	189,335	222,872	(33,537)
Support Services:				
Pupils	569,357	516,657	396,184	120,473
Instructional Staff	233,323	242,673	302,697	(60,024)
Board of Education	25,202	30,002	31,867	(1,865)
Administration	569,718	573,018	592,383	(19,365)
Fiscal	218,079	227,054	230,657	(3,603)
Operation and Maintenance of Plant	818,481	823,981	839,948	(15,967)
Pupil Transportation	245,094	253,594	268,252	(14,658)
Central	41,496	41,496	41,943	(447)
Extracurricular Activities	185,434	185,434	177,268	8,166
Capital Outlay	23,989	23,989	24,202	(213)
Total Disbursements	<u>7,691,188</u>	<u>7,641,063</u>	<u>7,618,252</u>	<u>22,811</u>
Excess of Receipts Over Disbursements	393,032	443,157	474,367	31,210
Other Financing Uses				
Transfers Out	<u>(79,117)</u>	<u>(79,117)</u>	<u>(79,117)</u>	<u></u>
Changes in Fund Balance	313,915	364,040	395,250	31,210
Fund Balance at Beginning of Year	372,874	372,874	372,874	
Prior Year Encumbrances Appropriated	<u>16,821</u>	<u>16,821</u>	<u>16,821</u>	<u></u>
Fund Balance at End of Year	<u>\$703,610</u>	<u>\$753,735</u>	<u>\$784,945</u>	<u>\$31,210</u>

See accompanying notes to the basic financial statements.

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,236</u>	<u><u>\$54,715</u></u>
Liabilities		
Undistributed Assets		<u><u>\$54,715</u></u>
Net Assets		
Held in Trust for Scholarships	<u>10,236</u>	
Total Net Assets	<u><u>\$10,236</u></u>	

See accompanying notes to the basic financial statements.

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGE IN CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private Purpose Trust
Additions	
Interest	\$242
Gifts and Donations	7,815
Total Additions	<u>8,057</u>
Deductions	
Non-instructional Services	<u>8,896</u>
Change in Net Assets	(839)
Net Assets at Beginning of Year	<u>11,075</u>
Net Assets at End of Year	<u><u>\$10,236</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$863,814</u>
Net Assets	
Restricted for:	
Debt Service	342,316
Capital Projects	65,587
Athletics	66,704
Setasides	20,908
Other Purposes	72,990
Unrestricted	<u>295,309</u>
Total Net Assets	<u><u>\$863,814</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipts and Change in Net Assets	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities					
Instruction:					
Regular	\$3,987,013	\$76,904	\$37,722	(\$3,872,387)	
Special	577,988		272,887	(305,101)	
Vocational	224,416		17,993	(206,423)	
Support Services:					
Pupils	302,251		100	(302,151)	
Instructional Staff	240,165			(240,165)	
Board of Education	36,334			(36,334)	
Administration	492,773			(492,773)	
Fiscal	260,262			(260,262)	
Operation and Maintenance of Plant	844,925			(844,925)	
Pupil Transportation	176,689		10,179	(162,601)	
Central	67,681		14,000	(53,681)	
Noninstructional Services	292,823	244,279	72,359	23,815	
Extracurricular Activities	336,104	119,612	11,604	(204,888)	
Capital Outlay	60,225			(60,225)	
Debt Service:					
Principal Retirement	540,000			(540,000)	
Interest and Fiscal Charges	505,196			(505,196)	
Total Governmental Activities	<u>\$8,944,845</u>	<u>\$440,795</u>	<u>\$436,844</u>	<u>\$3,909</u>	<u>(8,063,297)</u>
General Receipts					
Property Taxes Levied for:					
				4,302,187	
				17,912	
				855,296	
				55,761	
				40,571	
				3,058,847	
				42,555	
				136,253	
				<u>8,509,382</u>	
				446,085	
				<u>417,729</u>	
				<u>\$863,814</u>	

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$342,543	\$342,316	\$131,803	\$816,662
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	47,152			47,152
Total Assets	<u>389,695</u>	<u>342,316</u>	<u>131,803</u>	<u>863,814</u>
Fund Balances				
Reserve for Textbooks	20,908			20,908
Reserved for Bus Purchases	23,651			23,651
Reserved for Encumbrances	13,384		66,829	80,213
Reserved for Unclaimed Monies	2,593			2,593
Unreserved, Reported in				
General Fund	329,159			329,159
Special Revenue Funds			49,126	49,126
Debt Service Fund		342,316		342,316
Capital Projects Funds			15,848	15,848
Total Fund Balance	<u>\$389,695</u>	<u>\$342,316</u>	<u>\$131,803</u>	<u>\$863,814</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts				
Property Taxes	\$4,302,187	\$855,296	\$73,673	\$5,231,156
Income Taxes	40,571			40,571
Intergovernmental	2,925,160	298,857	226,320	3,450,337
Interest	41,853		702	42,555
Tuition and Fees	76,904			76,904
Charges for Services			244,279	244,279
Extracurricular Activities			119,612	119,612
Gifts and Donations	6,867		42,396	49,263
Miscellaneous	124,154		12,099	136,253
Total Receipts	<u>7,517,696</u>	<u>1,154,153</u>	<u>719,081</u>	<u>9,390,930</u>
Disbursements				
Current:				
Instruction:				
Regular	3,968,050		18,963	3,987,013
Special	443,191		134,797	577,988
Vocational	224,416			224,416
Support Services:				
Pupils	302,251			302,251
Instructional Staff	230,687		9,478	240,165
Board of Education	35,573		761	36,334
Administration	491,359		1,414	492,773
Fiscal	239,474	18,975	1,813	260,262
Operation and Maintenance of Plant	840,257		4,668	844,925
Pupil Transportation	176,689			176,689
Central	53,681		14,000	67,681
Non-instructional Services			292,823	292,823
Extracurricular Activities	178,282		157,822	336,104
Capital Outlay	12,286		47,939	60,225
Debt Service:				
Principal Retirement		540,000		540,000
Interest and Fiscal Charges		505,196		505,196
Total Disbursements	<u>7,196,196</u>	<u>1,064,171</u>	<u>684,478</u>	<u>8,944,845</u>
Excess of Receipts Over Disbursements	<u>321,500</u>	<u>89,982</u>	<u>34,603</u>	<u>446,085</u>
Other Financing Sources (Uses)				
Transfers In	27			27
Transfers Out			(27)	(27)
Total Other Financing Sources (Uses)	<u>27</u>		<u>(27)</u>	
Changes in Fund Balances	321,527	89,982	34,576	446,085
Fund Balances at Beginning of Year	<u>68,168</u>	<u>252,334</u>	<u>97,227</u>	<u>417,729</u>
Fund Balances at End of Year	<u>\$389,695</u>	<u>\$342,316</u>	<u>\$131,803</u>	<u>\$863,814</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts				
Property Taxes	\$5,467,871	\$4,301,260	\$4,302,187	\$927
Income Taxes		40,571	40,571	
Intergovernmental	2,618,578	2,944,886	2,925,160	(19,726)
Interest	28,000	42,000	41,853	(147)
Tuition and Fees	67,500	81,839	76,904	(4,935)
Gifts and Donations	6,800	6,800	6,867	67
Miscellaneous	86,350	114,489	124,154	9,665
Total Receipts	<u>8,275,099</u>	<u>7,531,845</u>	<u>7,517,696</u>	<u>(14,149)</u>
Disbursements				
Current:				
Instruction:				
Regular	4,038,100	3,943,302	3,970,969	(27,667)
Special	603,282	613,549	443,191	170,358
Vocational	193,641	212,595	224,631	(12,036)
Support Services:				
Pupils	231,020	239,903	302,251	(62,348)
Instructional Staff	171,067	184,649	231,214	(46,565)
Board of Education	24,175	31,035	38,386	(7,351)
Administration	484,254	476,016	491,868	(15,852)
Fiscal	243,740	239,698	239,691	7
Operation and Maintenance of Plant	846,595	875,412	846,303	29,109
Pupil Transportation	175,842	168,272	180,264	(11,992)
Central	51,457	49,827	53,681	(3,854)
Extracurricular Activities	176,602	176,890	178,282	(1,392)
Capital Outlay	4,430	4,290	12,286	(7,996)
Total Disbursements	<u>7,244,205</u>	<u>7,215,438</u>	<u>7,213,017</u>	<u>2,421</u>
Excess of Receipts Over Disbursements	1,030,894	316,407	304,679	(11,728)
Other Financing Sources				
Transfers In			27	27
Changes in Fund Balance	1,030,894	316,407	304,706	(11,701)
Fund Balance at Beginning of Year	22,755	22,755	22,755	
Prior Year Encumbrances Appropriated	45,413	45,413	45,413	
Fund Balance at End of Year	<u>\$1,099,062</u>	<u>\$384,575</u>	<u>\$372,874</u>	<u>(\$11,701)</u>

See accompanying notes to the basic financial statements.

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$11,075</u>	<u><u>\$45,309</u></u>
Liabilities		
Undistributed Assets		<u><u>\$45,309</u></u>
Net Assets		
Held in Trust for Scholarships	<u>11,075</u>	
Total Net Assets	<u><u>\$11,075</u></u>	

See accompanying notes to the basic financial statements.

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGE IN CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust</u>
Additions	
Interest	\$449
Gifts and Donations	<u>6,774</u>
Total Additions	7,223
Deductions	
Noninstructional Services	<u>6,730</u>
Change in Net Assets	493
Net Assets at Beginning of Year	<u>10,582</u>
Net Assets at End of Year	<u><u>\$11,075</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately thirty square miles. It is located in Auglaize, Darke, Mercer, and Shelby Counties. The School District is the 527th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-six classified employees, sixty certified teaching personnel, and five administrative employees who provide services to 822 students and other community members. The School District currently operates three school buildings.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

During fiscal year 2008, there were no component units which differs from fiscal year 2007, in which Minster Community School (MCS), was a legally separate component unit. Condensed financial information for MCS is presented in Note 16 to the basic financial statements.

Minster Community School - MCS is a legally separate, not-for-profit corporation. MCS, under a contractual agreement with Minster Local School District, provided education similar to that provided through the School District. The School District is MCS's sponsoring government and MCS's five member Board of Directors is appointed by the School District's Board of Education. The School District is financially accountable for MCS as it appoints MCS's Board and can impose its will on MCS.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

1. Governmental Funds

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

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

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

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities and employee withholdings.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

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

During fiscal years 2008 and 2007, the School District's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 was \$56,405, which includes \$18,902 assigned from other School District funds. While interest revenue credited to the General Fund during fiscal year 2007 was \$41,853, which includes \$17,879 assigned from other School District funds.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

During fiscal year 2008, restricted assets represent unexpended resources restricted for the purchase of school buses and unclaimed monies. While during fiscal year 2007, restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, unexpended resources restricted for the purchase of school buses and unclaimed monies.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2008 or June 30, 2007.

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. At June 30, 2008, fund balance reserves have been established for bus purchases, unclaimed monies, and encumbrances. While at June 30, 2007, fund balance reserves have been established for textbooks, bus purchases, encumbrances, and unclaimed monies.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

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

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2008, the Food Service special revenue fund had a deficit fund balance, in the amount of \$13,516, resulting from negative cash balances. The School District increased the price of lunches in fiscal year 2009 to begin alleviating the deficit.

At June 30, 2007, the Food Service and IDEA B special revenue funds had deficit fund balances, in the amount of \$39,195 and \$8,039, respectively, resulting from negative cash balances.

B. Compliance

At June 30, 2008, the Food Service special revenue fund had a deficit cash balance, in the amount of \$13,516. The School District increased the price of lunches in fiscal year 2009 to begin alleviating the deficit.

At June 30, 2008, the Food Service, Termination, and SchoolNet Professional Development special revenue funds had final appropriations in excess of estimated resources plus available balances, in the amount of \$39,233, \$2,117, and \$6,430, respectively. The Treasurer will monitor budgetary transactions to ensure that appropriations are within available resources.

At June 30, 2007, the Food Service and IDEA B special revenue funds had deficit cash balances, in the amount of \$39,195 and \$8,039, respectively.

At June 30, 2007, the Food Service and Miscellaneous State Grants special revenue funds had final appropriations in excess of estimated resources plus available balances, in the amount of \$39,347 and \$2,000, respectively. The School District will monitor budgetary transactions to avoid these situations in the future.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand - At June 30, 2008 and 2007, the District had \$960 and \$325, respectively, in cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

Deposits - Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. At June 30, 2008 and 2007, the carrying amount of the School District's deposits was \$1,375,679 and \$ 919,873, respectively and the bank balances were \$1,468,797, and \$1,034,497, respectively. Of the bank balances, \$200,000 was covered for each year by federal depository insurance and \$1,268,797 and \$719,873, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

5. INCOME TAXES

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

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

6. PROPERTY TAXES (Continued)

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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 and 2007 was 6.25 and 12.5 percent, respectively. This will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Darke, Mercer, and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2008, are available to finance fiscal year 2009 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$104,395,230	81.61%	\$106,590,670	89.74%
Public Utility	1,432,450	1.12%	961,440	.81%
Tangible Personal	22,087,028	17.27%	11,230,314	9.45%
Total Assessed Value	<u>\$127,914,708</u>	<u>100.00%</u>	<u>\$118,782,424</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.17		\$52.57	

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School 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	5,000,000
Excess Liability	3,000,000
Building and Contents	33,009,645
Flood and Earthquake	20,000,000
Electronic Equipment	1,173,300

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT (Continued)

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

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

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

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy - For the fiscal years ended June 30, 2008 and June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$486,477, \$478,872, and \$517,743 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions for the DCP and CP for the fiscal year ended June 30, 2008, were \$4,052 made by the School District and \$5,387 made by plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal years ended June 30, 2008 and June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate; and the School District rate was 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. While for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations.

The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$70,062, \$66,885, and \$67,817, respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2008 and June 30, 2007, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years 2008 and 2007, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$37,733, \$36,838, and \$39,836, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. For fiscal year 2007, 3.32 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal years 2008 and 2007, these amounts were \$11,537 and \$14,632, respectively.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$31,971, \$22,206, and \$23,667 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$5,048, \$4,548, and \$5,398 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

The School District also provides vision insurance to all employees through Vision Service Plan and life insurance, and accidental death and dismemberment insurance through Fort Dearborn Insurance Company during fiscal year 2008 and MetLife Insurances during fiscal year 2007.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

10. OTHER EMPLOYEE BENEFITS

C. Separation Benefit

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

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

Employees meeting the requirements shall receive an amount equal to one day of severance pay for each year of service to the School District, not to exceed twenty-five through thirty days. The School District will pay the incentive in a one-time lump sum payment within sixty days after all of the eligibility criteria are satisfied. The School District did not have an outstanding liability for separation benefits at June 30, 2008 or June 30, 2007.

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
Governmental Activities					
General Obligations Bonds					
2000 School Improvement					
Serial Bonds 4.40 - 4.90%	\$1,865,000		\$430,000	\$1,435,000	\$450,000
Capital Appreciation Bonds	329,664			329,664	
Total 2000 School Improvement Bonds	2,194,664		430,000	1,764,664	450,000
2005 School Improvement Refunding					
Serial Bonds 3.00 - 4.50%	4,485,000		135,000	4,350,000	140,000
Term Bonds 4.25 - 4.50%	4,850,000			4,850,000	
Capital Appreciation Bonds	89,991			89,991	
Total 2005 School Improvement Refunding Bonds	9,424,991		135,000	9,289,991	140,000
Total Governmental Activities Long-Term Obligations	<u>\$11,619,655</u>	<u>\$0</u>	<u>\$565,000</u>	<u>\$11,054,655</u>	<u>\$590,000</u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Obligations Bonds					
2000 School Improvement					
Serial Bonds 4.40 - 4.90%	\$2,275,000		\$410,000	\$1,865,000	\$430,000
Capital Appreciation Bonds	329,664			329,664	
Total 2000 School Improvement					
Bonds	2,604,664		410,000	2,194,664	430,000
2005 School Improvement Refunding					
Serial Bonds 3.00 - 4.50%	4,615,000		130,000	4,485,000	135,000
Term Bonds 4.25 - 4.50%	4,850,000			4,850,000	
Capital Appreciation Bonds	89,991			89,991	
Total 2005 School Improvement					
Refunding Bonds	9,554,991		130,000	9,424,991	135,000
Total Governmental Activities					
Long-Term Obligations	<u>\$12,159,655</u>	<u>\$0</u>	<u>\$540,000</u>	<u>\$11,619,655</u>	<u>\$565,000</u>

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

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

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

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

2005 Refunding School Improvement General Obligation Bonds - On April 13, 2005, the School District issued \$9,849,991 in general obligation bonds to refund \$9,850,000 in term bonds of the 2000 School Improvement general obligation bonds. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$4,910,000, \$4,850,000, and \$89,991, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2028. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. As of June 30, 2008, \$9,850,000 of the refunded bonds were still outstanding.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

At June 30, 2008, the School District's overall debt margin was (\$1,089,124) with an unvoted debt margin of \$106,594. While at June 30, 2007, the School District's overall debt margin was (\$1,683,880) with an unvoted debt margin of \$104,398. On April 5, 1999, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2009	\$590,000	\$243,480		\$212,581
2010	615,000	216,470		212,581
2011	665,000	187,293		212,582
2012	155,000	169,144		212,581
2013	160,000	163,237		212,582
2014-2018		801,188		1,062,906
2019-2023	705,000	666,356	\$3,075,000	807,941
2024-2028	2,895,000	456,637	1,775,000	80,662
Totals	<u>\$5,785,000</u>	<u>\$2,903,805</u>	<u>\$4,850,000</u>	<u>\$3,014,416</u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds	
	Capital Appreciation	
	Principal	Interest
2009		
2010		
2011		
2012	\$101,733	\$418,267
2013	87,375	432,625
2014-2018	230,547	3,314,453
Totals	\$419,655	\$4,165,345

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

12. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	\$20,908	(\$13,492,705)
Current Year Set Aside Requirement	136,211	136,211
Current Year Offsets		(45,860)
Qualifying Expenditures	(222,154)	
Balance June 30, 2008	(65,035)	(13,402,354)
Amount Carried Forward to Fiscal Year 2009	(\$65,035)	(\$13,402,354)

The School District had qualifying expenditures during the fiscal year, and previous years, that reduced both the textbook and capital improvements setasides amount below zero. These amounts may be used to reduce the set aside requirement of future fiscal years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	\$31,038	(\$13,548,126)
Current Year Set Aside Requirement	111,182	111,182
Current Year Offsets		(55,761)
Qualifying Expenditures	(121,312)	
Balance June 30, 2007	\$20,908	(\$13,492,705)
Amount Carried Forward to Fiscal Year 2008	\$20,908	(\$13,492,705)

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

12. SET ASIDES (Continued)

The School District had qualifying expenditures during previous fiscal years that reduced the capital improvements setaside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

13. INTERFUND TRANSFERS

During fiscal year 2008, the General Fund made transfers to other governmental funds, in the amount of \$79,117, to pay for severance payments.

During fiscal year 2007, other governmental funds made transfers to the General Fund, in the amount of \$27, to correct a prior year error in posting receipts.

14. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Local Professional Development Committee

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

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. The School District paid WOCO for various services \$45,262 during fiscal year 2008 and \$59,399 during fiscal year 2007. Financial information can be obtained from the Shelby County Education Service Center, 129 East Court Street, Sidney, Ohio 45365.

C. Auglaize County Educational Academy

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Auglaize County Special Needs School

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

15 - INSURANCE POOLS

A. Ohio School Plan

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

B. Mercer Auglaize School Employee Benefit Trust

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

16. MINSTER COMMUNITY SCHOOL

Minster Community School (MCS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. MCS's objective is to deliver students an education through smaller class sizes, varied and quality learning opportunities by identifying and addressing student needs, and team teaching opportunities for teachers. MCS, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. MCS may acquire facilities as needed and contract for any services necessary for the operation of the school. MCS closed at June 30, 2006, and finalized all operations as of June 30, 2007.

Financial information for Minster Community School is presented below:

Statement of Revenues, Expenses, and Change in Net Assets

Operating Revenues:	
Other Revenues	\$ 2
Operating Expenses:	
Purchased Services	4
Operating Loss	<u>(2)</u>
Extraordinary Item:	
Discontinuance of Operations	<u>(75,301)</u>
 Change in Net Assets	 (75,303)
 Net Assets at Beginning of Year	 <u>75,303</u>
Net Assets at End of Year	<u><u>\$ 0</u></u>

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Other Sources	\$ 2
Cash Payments for Services	<u>(4)</u>
Net Cash Used for Operating Activities	<u>(2)</u>
 Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	25,906
Cash Payments to Grantor	<u>(29,969)</u>
Net Cash Used for Noncapital Financing Activities	<u>(4,063)</u>
 Cash Flows from Capital Financing Activities:	
Sale of Capital Assets	<u>1</u>
 Net Decrease in Cash and Cash Equivalents	 (4,064)
Cash and Cash Equivalents at Beginning of Year	<u>4,064</u>
Cash and Cash Equivalents at End of Year	<u><u>0</u></u>
 Reconciliation of Operating Loss To Net Cash Used for Operating Activities:	
Operating Loss	<u>(2)</u>
Net Cash Used for Operating Activities	<u><u>(\$ 2)</u></u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(Continued)**

16. MINSTER COMMUNITY SCHOOL (Continued)

A. Basis of Presentation

For fiscal year 2007, MCS's basic financial statements consisted of a statement of revenues, expenses, and change in net assets and a statement of cash flows. MCS used enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Depreciable Capital Assets				
Furniture and Equipment	\$68,274	\$0	(\$68,274)	\$0
Less Accumulated Depreciation	(22,941)	0	22,941	0
Capital Assets, Net	<u>\$45,333</u>	<u>\$0</u>	<u>(\$45,333)</u>	<u>\$0</u>

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. A federal audit is currently ongoing and the final results remain undetermined; however, currently results indicate a possible finding of approximately \$200,000 that could be required to be repaid for the operations of the Minster Community School, a former discretely presented component unit of the School District.

B. Litigation

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, (the School District) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 23, 2009, wherein, we noted the School District prepared its financial statements using a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School District's management in a separate letter dated March 23, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated March 23, 2009.

We intend this report solely for the information and use of the audit committee, management and Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 23, 2009

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Sec. 5705.10 (H) Negative Fund Balances	No	Significantly Corrected – Reported to management of the district in a separate letter.
2006-002	Ohio Rev. Code Sec. 5705.39 Appropriations Exceed Estimated Resources	No	Significantly Corrected – Reported to management of the district in a separate letter.



Mary Taylor, CPA
Auditor of State

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009