



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Minster Local School District
Auglaize County
100 East Seventh Street
Minster, Ohio 45865-1097

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Minster Local School District, Auglaize County, (the School District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the School District adopted Governmental Accounting Statement No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 16, 2002

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**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$484,610	\$75,318	\$57	\$1,737,472
Investments				10,511,376
Cash and Cash Equivalents with Fiscal Agent		1,749		
Receivables:				
Taxes	3,763,727		999,250	60,786
Accounts	5,289	971		
Intergovernmental	26,881	16,444		
Accrued Interest				141,511
Interfund Receivable	8,200			
Prepaid Items	63,980			291
Inventory Held for Resale				
Materials and Supplies Inventory	19,169	1,202		
Restricted Assets:				
Cash and Cash Equivalents	105,338			
Cash and Cash Equivalents with Fiscal Agent				93,695
Construction in Progress				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount in Debt Service Fund for Retirement of Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>4,477,194</u>	<u>95,684</u>	<u>999,307</u>	<u>12,545,131</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	60,487	1,343		789
Contracts Payable				390,684
Accrued Wages	479,791			
Liabilities Payable from Restricted Assets:				
Retainage Payable				106,555
Interfund Payable			8,200	
Compensated Absences Payable	13,253			
Intergovernmental Payable	107,840			
Deferred Revenue	3,633,037		959,010	116,762
Due to Students				
Accrued Interest Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>4,294,408</u>	<u>1,343</u>	<u>967,210</u>	<u>614,790</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	29,529	13,878		9,666,631
Reserved for Bus Purchases	10,425			
Reserved for Inventory	19,169	1,202		
Reserved for Property Taxes	144,286		40,240	1,649
Reserved for Capital Improvements	6,117			
Reserved for Budget Stabilization	28,683			
Reserved for Textbooks	60,113			
Unreserved (Deficit)	<u>(115,536)</u>	<u>79,261</u>	<u>(8,143)</u>	<u>2,262,061</u>
Total Fund Equity (Deficit) and Other Credits	<u>182,786</u>	<u>94,341</u>	<u>32,097</u>	<u>11,930,341</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,477,194</u>	<u>\$95,684</u>	<u>\$999,307</u>	<u>\$12,545,131</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$89,562	\$49,772			\$2,436,791
				10,511,376
				1,749
18,286				4,842,049
24				6,284
	134			43,325
				141,645
				8,200
1,259				65,530
6,561				6,561
2,639				23,010
				105,338
				93,695
		3,408,146		3,408,146
66,040		5,843,051		5,909,091
			40,297	40,297
			15,170,999	15,170,999
<u>184,371</u>	<u>49,906</u>	<u>9,251,197</u>	<u>15,211,296</u>	<u>42,814,086</u>
676				63,295
				390,684
1,259				481,050
				106,555
				8,200
10,782			392,063	416,098
18,542			32,971	159,353
19,265	10			4,728,084
	36,411			36,411
			14,786,262	14,786,262
<u>50,524</u>	<u>36,421</u>		<u>15,211,296</u>	<u>21,175,992</u>
		9,251,197		9,251,197
11,419				11,419
122,428				122,428
				9,710,038
				10,425
				20,371
				186,175
				6,117
				28,683
				60,113
	13,485			2,231,128
<u>133,847</u>	<u>13,485</u>	<u>9,251,197</u>		<u>21,638,094</u>
<u>\$184,371</u>	<u>\$49,906</u>	<u>\$9,251,197</u>	<u>\$15,211,296</u>	<u>\$42,814,086</u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Taxes	\$3,827,529		\$370,896	\$61,830		\$4,260,255
Intergovernmental	1,735,526	153,887	37,606	31,287		1,958,306
Interest	267,854	2,023		953,214	355	1,223,446
Tuition and Fees	37,037					37,037
Extracurricular Activities		96,285				96,285
Gifts and Donations		3,085			6,040	9,125
Rent	404					404
Miscellaneous	109,359	971	318,763	396,347	621	826,061
Total Revenues	5,977,709	256,251	727,265	1,442,678	7,016	8,410,919
Expenditures:						
Current:						
Instruction:						
Regular	3,181,647	31,538		26,745	6,792	3,246,722
Special	342,088	80,423				422,511
Vocational	219,522	2,146				221,668
Adult/Continuing	2,322					2,322
Support Services:						
Pupils	231,743					231,743
Instructional Staff	213,186	26,043				239,229
Board of Education	18,500					18,500
Administration	584,450	38				584,488
Fiscal	185,129	1,345	202,473	1,253		390,200
Operation and Maintenance of Plant	559,935	882				560,817
Pupil Transportation	191,701					191,701
Central	35,407	7,791				43,198
Operation of Non-Instructional Services					450	450
Extracurricular Activities	182,602	106,793				289,395
Capital Outlay	8,279			2,898,701		2,906,980
Debt Service:						
Interest and Fiscal Charges			493,005	391,900		884,905
Total Expenditures	5,956,511	256,999	695,478	3,318,599	7,242	10,234,829
Excess of Revenues Over (Under) Expenditures	21,198	(748)	31,787	(1,875,921)	(226)	(1,823,910)
Other Financing Sources (Uses):						
Operating Transfers In				200,183	4	200,187
Proceeds from Sale of Bonds				14,024,664		14,024,664
Proceeds from Sale of Fixed Assets	900					900
Operating Transfers Out	(200,183)					(200,183)
Total Other Financing Sources (Uses)	(199,283)			14,224,847	4	14,025,568
Excess of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(178,085)	(748)	31,787	12,348,926	(222)	12,201,658
Fund Balances (Deficit) at Beginning of Year	361,511	95,299	310	(418,585)	13,707	52,242
Increase (Decrease) in Reserve for Inventory	(640)	(210)				(850)
Fund Balances (Deficit) at End of Year	\$182,786	\$94,341	\$32,097	\$11,930,341	\$13,485	\$12,253,050

See accompanying notes to the general purpose financial statements.

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**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,825,364	\$3,785,188	(\$40,176)			
Intergovernmental	1,725,195	1,734,563	9,368	126,427	125,572	(855)
Interest	45,000	267,423	222,423	1,800	2,023	223
Tuition and Fees	25,250	37,928	12,678			
Extracurricular Activities				90,900	96,285	5,385
Gifts and Donations				2,700	3,085	385
Rent	5,200	404	(4,796)			
Miscellaneous	70,300	87,364	17,064			
Total Revenues	5,696,309	5,912,870	216,561	221,827	226,965	5,138
Expenditures:						
Current:						
Instruction:						
Regular	3,198,450	3,157,850	40,600	30,029	28,688	1,341
Special	332,798	342,403	(9,605)	97,699	81,315	16,384
Vocational	190,971	220,351	(29,380)		2,146	(2,146)
Adult/Continuing	310	1,793	(1,483)			
Support Services:						
Pupils	245,751	232,043	13,708			
Instructional Staff	216,932	207,184	9,748	18,516	18,003	513
Board of Education	16,907	18,447	(1,540)			
Administration	580,141	588,184	(8,043)	693	38	655
Fiscal	191,869	185,992	5,877	1,345	1,345	
Operation and Maintenance of Plant	571,666	564,161	7,505	882	882	
Pupil Transportation	198,106	204,506	(6,400)			
Central	30,180	34,994	(4,814)	7,791	7,791	
Operation of Non-Instructional Services						
Extracurricular Activities	182,355	182,349	6	117,519	116,036	1,483
Capital Outlay	3,375	3,373	2			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	5,959,811	5,943,630	16,181	274,474	256,244	18,230
Excess of Revenues Under Expenditures	(263,502)	(30,760)	232,742	(52,647)	(29,279)	23,368
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,000	900	(100)			
Proceeds from Sale of Bonds						
Refund of Prior Year Expenditures	7,000	10,622	3,622	1,000	934	(66)
Other Financing Sources						
Advances In						
Advances Out		(8,200)	(8,200)			
Operating Transfers - In						
Operating Transfers - Out		(200,183)	(200,183)			
Total Other Financing Sources (Uses)	8,000	(196,861)	(204,861)	1,000	934	(66)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(255,502)	(227,621)	27,881	(51,647)	(28,345)	23,302
Fund Balances at Beginning of Year	716,286	716,286		72,601	72,601	
Prior Year Encumbrances Appropriated	41,862	41,862		17,356	17,356	
Fund Balances at End of Year	\$502,646	\$530,527	\$27,881	\$38,310	\$61,612	\$23,302

See accompanying notes to the general purpose financial statements.

Governmental Fund Types								
Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$381,168	\$330,656 37,606	(\$50,512) 37,606	\$63,941 2,820 837,400	\$61,346 31,287 716,040	(\$2,595) 28,467 (121,360)	450	469	19
						4,000	6,040	2,040
22,600	22,596	(4)					621	621
403,768	390,858	(12,910)	904,161	808,673	(95,488)	4,450	7,130	2,680
			46,902	43,745	3,157	9,498	7,393	2,105
202,675	202,473	202	2,500	1,252	1,248			
						500	950	(450)
			12,551,189	12,550,674	515			
14,025,000 889,021	14,025,000 889,016	5						
15,116,696	15,116,489	207	12,600,591	12,595,671	4,920	9,998	8,343	1,655
(14,712,928)	(14,725,631)	(12,703)	(11,696,430)	(11,786,998)	(90,568)	(5,548)	(1,213)	4,335
14,024,664	14,024,664							
692,515	692,514 8,200	(1) 8,200						
				200,183	200,183		4	4
14,717,179	14,725,378	8,199		200,183	200,183		4	4
4,251	(253)	(4,504)	(11,696,430)	(11,586,815)	109,615	(5,548)	(1,209)	4,339
310	310		13,683,438	13,683,438		13,972	13,972	
			800	800		598	598	
\$4,561	\$57	(\$4,504)	\$1,987,808	\$2,097,423	\$109,615	\$9,022	\$13,361	\$4,339

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise
Operating Revenues:	
Sales	<u>\$197,284</u>
Total Operating Revenues	<u>197,284</u>
Operating Expenses:	
Salaries	76,752
Fringe Benefits	38,237
Purchased Services	13,349
Materials and Supplies	22,880
Cost of Sales	108,544
Depreciation	6,650
Other Operating Expenses	<u>521</u>
Total Operating Expenses	<u>266,933</u>
Operating Loss	<u>(69,649)</u>
Non-Operating Revenues:	
Federal Donated Commodities	17,304
Interest	3,624
Operating Grants	25,296
Taxes	<u>18,696</u>
Total Non-Operating Revenues	<u>64,920</u>
Net (Loss) Before Operating Transfers	(4,729)
Operating Transfers-Out	<u>(4)</u>
Net (Loss)	(4,733)
Retained Earnings at Beginning of Year	<u>127,161</u>
Retained Earnings at End of Year	<u>122,428</u>
Contributed Capital at Beginning of Year	8,122
Contribution from Donation	<u>3,297</u>
Contributed Capital at End of Year	<u>11,419</u>
Total Fund Equity at End of Year	<u><u>\$133,847</u></u>

See accompanying notes to the general purpose financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:			
Sales	\$193,845	\$197,319	\$3,474
Other Revenues	18,667	18,432	(235)
Total Operating Revenues	<u>212,512</u>	<u>215,751</u>	<u>3,239</u>
Operating Expenses:			
Salaries	77,105	75,117	1,988
Fringe Benefits	18,993	20,129	(1,136)
Purchased Services	16,460	14,613	1,847
Materials and Supplies	118,080	115,912	2,168
Other	525	521	4
Capital Outlay	36,245	22,713	13,532
Total Operating Expenses	<u>267,408</u>	<u>249,005</u>	<u>18,403</u>
Excess of Revenues Under Expenses	<u>(54,896)</u>	<u>(33,254)</u>	<u>21,642</u>
Non-Operating Revenues:			
Interest	2,500	3,624	1,124
Federal and State Subsidies	23,920	25,329	1,409
Total Non-Operating Revenues	<u>26,420</u>	<u>28,953</u>	<u>2,533</u>
Excess of Revenues and Non-Operating Revenues Under Expenses Before Transfers	(28,476)	(4,301)	24,175
Operating Transfers - Out		(4)	(4)
Fund Balances at Beginning of Year	88,975	88,975	
Prior Year Encumbrances Appropriated	<u>808</u>	<u>808</u>	
Fund Balances at End of Year	<u><u>\$61,307</u></u>	<u><u>\$85,478</u></u>	<u><u>\$24,171</u></u>

See accompanying notes to the general purpose financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$197,319
Cash Payments to Suppliers for Goods and Services	(126,676)
Cash Payments to Employees for Services	(75,117)
Cash Payments for Employee Benefits	(20,128)
Cash Payments for Other Operating Expenses	(521)
	(25,123)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	25,329
Tax Revenues	18,432
Transfers Out	(4)
	43,757
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital Financing Activities:	
Acquisition of Fixed Assets	(22,478)
	(22,478)
Net Cash Used for Capital	
Cash Flows from Investing Activities:	
Interest	3,624
	3,624
Net Cash Provided from Investing Activities	
Net Increase in Cash and Cash Equivalents	(220)
Cash and Cash Equivalents at Beginning of Year	89,782
	89,562
Cash and Cash Equivalents at End of Year	
	89,562
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(69,649)
	(69,649)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation Expense	6,650
Donated Commodities Used During Year	17,304
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	35
Decrease in Inventory Held for Resale	879
Decrease in Materials and Supplies Inventory	(744)
Decrease in Prepaids	(213)
Increase in Accounts Payable	659
Increase in Wages Payable	213
Increase in Compensated Absences Payable	1,422
Decrease in Intergovernmental Payable	18,321
	18,321
Total Adjustments	44,526
	44,526
Net Cash Used For Operating Activities	(\$25,123)

Non-Cash Transactions

Fixed assets with a fair value of \$3,297 were donated to the recreation enterprise fund.

See accompanying notes to the general purpose financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1833 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 33 square miles. It is located in Auglaize, Shelby, Darke and Mercer counties, and includes all of the Village of Minster and portions of surrounding townships. It is staffed by 32 non-certificated employees, 64 certificated full-time teaching personnel and 5 administrative employees who provide services to 947 students and other community members. The School District currently operates 3 instructional buildings. The administration and Board of Education offices are located within the instructional buildings.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government 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. The School District does not have any component units.

The School District is associated with four jointly governed organizations and two group purchasing pools. These organizations include the Western Ohio Computer Organization (WOCO), Auglaize County Local Professional Development Committee, Mercer/Auglaize Employee Benefit Trust, Northwest Ohio Regional Professional Development Center, West Central Ohio Special Educational Regional Center, and Ohio School Board Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Minster Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and 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.

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Proprietary Fund Type:

The proprietary fund is used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, payment in lieu of taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Auglaize County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, one-digit function, one digit object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit, treasury notes, federal agency securities, and mutual funds.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. Nonparticipating investments contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$267,854, which includes \$96,450 assigned from other School District funds.

Cash and cash equivalents held with the fiscal agent but outside of the School District treasury for grant dollars held by another governmental entity are presented on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent."

The School District was required to deposit monies into separate accounts for the accumulated retainage on contracts for construction and renovation to the School District's buildings. The amount held within these accounts is reflected on the balance sheet as "Restricted Assets: Cash and Cash Equivalents with Fiscal Agent".

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets, the purchase of textbooks and other instructional materials and the creation of a reserve for budget stabilization. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves. Restricted assets in the Building capital projects fund include amounts required by State statute to be set aside for retainage.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation for property, plant and equipment in the enterprise funds is computed using the straight-line method over the following estimated useful lives:

<u>Category</u>	<u>Useful Life</u>
Land Improvements	20 - 30 years
Buildings and Improvements	30 years
Equipment	10 - 50 years
Vehicles	10 years

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Allocation

Special Revenue Fund

Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Excellence in Education
Education Management Information Systems
Data Communication
School/Net Professional Development
Ohio Reads
Safe-Schools
Summer Intervention
Conflict Management
Eisenhower
Title VI-B
Title I
Title VI
Drug Free
Classroom Size Reduction

Capital Projects Funds

School Net
Power Up for Technology
Video Distance Learning

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 23 percent of the School District's governmental operating revenue during the 2001 fiscal year.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as having 15 years of service with the School District for certified staff and 10 years of service with the School District for classified staff. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, textbook and instructional supplies, capital acquisition, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

O. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues".

GASB Statement No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available.

Implementing GASB Statement No. 33 and 36 had no material effect on the financial statements.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING *(continued)*

Balances - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Funds held by fiscal agents are not budgeted by the School District but are recorded on the GAAP basis.
5. Proceeds from and the payment on short-term notes are reported on the operating statement (Budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Uses
All Governmental Fund Types and Similar Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trusts</u>
GAAP Basis	\$(178,085)	\$(748)	\$31,787	\$12,348,926	\$(222)
Revenue Accruals	(54,217)	(15,481)	(40,240)	57,351	114
Expenditure Accruals	79,982	(188)	0	385,243	(1,101)
Prepaid Items	(8,111)	0	0	(291)	0
Advances	(8,200)	0	8,200	0	0
Decrease in Fair Value of Investments	0	0	0	(295,009)	0
Note Retirement	0	0	0	(14,025,000)	0
Excess of Revenue Under					
Expenditures of Non Budgeted Funds	0	2,835	0	0	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(58,990)	(14,763)	0	(10,058,035)	0
Budget Basis	<u>\$(227,621)</u>	<u>\$(28,345)</u>	<u>\$(253)</u>	<u>\$ (11,586,815)</u>	<u>\$(1,209)</u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING *(continued)*

Net Loss/Excess of Revenues Under Expenses All Enterprise Funds	
GAAP Basis	\$ (4,733)
Revenue Accruals	(195)
Expense Accruals	20,615
Acquisition of Fixed Assets	(22,478)
Changes in Inventory	135
Changes in Prepays	(213)
Depreciation	6,650
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(4,086)</u>
Budget Basis	<u>\$ (4,305)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two 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 moneys. Interim moneys are those moneys 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 pass book accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS *(continued)*

2. Bonds, notes, debentures, or any other obligations or securities 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 marking association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$519 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

At fiscal year end, the School District's special revenue funds had a balance of \$1,749 with the Auglaize County Educational Service Center (ESC). The money is held by the ESC in a pooled account which is representative of numerous funds and, therefore, cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents along with financial information for the Auglaize County Educational Service Center as a whole may be obtained from the Auglaize County Educational Service Center, 520 Industrial Drive, Wapakoneta, Ohio, 45895.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,058,736 and the bank balance was \$1,327,825. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining amount of \$1,227,825 was covered by pledged securities held by the counterparty's trust department.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS *(continued)*

Investments: GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Risk Category 2	Carrying Value	Fair Value
Federal Home Loan Bank			
Consolidated Discount Notes	\$ 602,096	\$ 602,096	\$ 602,096
Consolidated Bonds	2,659,175	2,659,175	2,659,175
Federal Farm Credit Bank			
Consolidated Discount Notes	792,120	792,120	792,120
Consolidated Bonds	500,780	500,780	500,780
Federal Home Loan Mortgage			
Corp Debentures	1,069,247	1,069,247	1,069,247
Discount Notes	694,214	694,214	694,214
Federal National Mortgage Assoc.			
Discount Notes	815,457	815,457	815,457
Debentures	599,676	599,676	599,676
Medium Term Notes	1,233,839	1,233,839	1,233,839
U.S. Treasury Notes	768,641	768,641	768,641
Mutual Funds	1,132,899	1,132,899	1,132,899
	0	708,332	708,332
Total	\$11,379,613	\$12,087,945	\$12,087,945

Investments in mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Funds included within the Treasurer district-wide cash management pool, which are used essentially as demand deposit accounts for the various School District funds, and investments with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$2,637,573	\$10,511,376
Cash on Hand	(519)	0
Cash Held by ESC	(1,749)	
Investments		
Mutual Funds	(708,332)	708,332
Short Term Securities	(868,237)	868,237
GASB Statement 3	\$1,058,736	\$12,087,945

**MINSTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 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 and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. 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 made April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Shelby, Darke and Mercer counties. The Auglaize County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$144,286 in the general fund, \$40,240 in the bond retirement fund, \$1,649 in the permanent improvement capital projects fund, and \$656 in recreation enterprise fund. The amount available as an advance at June 30, 2000, was \$101,945 in the general fund, \$1,165 in the permanent improvement capital projects fund, and \$392 in recreation enterprise fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second Half Collections	Percent	2001 First Half Collections	Percent
	Amount		Amount	
Agricultural/Residential And Other Real Estate	\$80,660,810	61.40%	\$82,671,190	63.57%
Public Utility	2,524,460	1.92%	2,325,870	1.79%
Tangible Person Property	48,185,532	36.68%	45,045,140	34.64%
Total	\$131,370,802	100.00%	\$130,042,200	100.00%
Tax rate per \$1000 of assessed valuation	\$43.97		\$47.07	

The citizens of the School District voted for a 7.9 mill levy for the retirement of the bond issue to construct additional classrooms.

**MINSTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Fund Type/Fund	Amount
General Fund	
Excess Costs	\$15,381
Travel/Transportation Reimbursements	4,858
Vocational Equipment Reimbursement	1,961
Tutoring Reimbursement	1,250
Insurance Reimbursement	3,431
Total General Fund	26,881
Special Revenue Funds	
Title VI B	16,444
Total	\$43,325

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Category	Amount
Land	\$1,800
Land Improvements	64,165
Building and Improvements	22,455
Furniture, Fixtures and Equipment	65,978
Vehicles	6,325
Total	160,723
Less Accumulated Depreciation	(94,683)
Net Book Value	\$66,040

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	6/30/2000	Additions	Deletions	6/30/2001
Land	\$219,525	\$0	\$0	\$219,525
Buildings and Improvements	3,763,846	20,384	0	3,784,230
Furniture, Fixtures and Equipment	1,188,073	139,974	1,635	1,326,412
Vehicle	475,579	78,484	41,179	512,884
Construction in Progress	525,776	2,882,370	0	3,408,146
Total	\$6,172,799	\$3,121,212	\$42,814	\$9,251,197

**MINSTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Indiana Insurance for property and fleet insurance, Nationwide Insurance for liability insurance, and Ohio Casualty Insurance for inland marine coverage. Coverages provided by the various companies are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$15,823,278
Inland Marine Coverage (\$250 deductible)	127,495
Automobile Liability	1,000,000
Medical Payments Per Person	5,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been any material change in coverage in the past year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

The School District participates in the Mercer/Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and two educational service centers. The School District pays monthly premiums to the Trust for medical and dental benefits. 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.

NOTE 10 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
H. A. Dorsten Construction, Inc.	Minster High School	\$546,755
Area Energy & Electric Company	Minster High School	36,437
Slagle Mechanical	Minster High School	25,020
Ohio Plumbing & Heating	Minster High School	75,941
Farnham Equipment Company	Minster High School	21,696
Garmann/Miller Architects	Minster High School/Middle School	68,780

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$311,921, \$183,831, and \$145,907, respectively; 82.6 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$54,199 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$22,075, \$28,954, and \$38,182, respectively; 32.89 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$14,814 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS *(continued)*

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$147,752 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

For this fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll; an increase from 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$68,423 during the 2001 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care for the fiscal year ended June 30, 2000 (the latest information available), was \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 59 days for teachers, administrators, and classified personnel.

**MINSTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 13 - EMPLOYEE BENEFITS*(continued)*

B. Health Care Benefits

The School District has elected to provide employee major medical/surgical Plan B, dental and prescription drug benefits through the Mercer/Auglaize Employee Welfare Benefit Association. The employees share the cost of the monthly premium of Plan A, which is a hospitalization/major medical plan, with the Board. The premium varies with employee depending on the terms of the union contract. Vision insurance is provided by the School District to all employees through Vision Services Plan.

The School District also provides life insurance and accidental death and dismemberment insurance with General American Life Insurance.

All full-time employees and part-time classified employees hired prior to July 1, 1989 who work more than 5 hours per day are entitled to full benefits under Plan B. If an employee elects Plan A, they must pay the premium difference between Plan A and Plan B. All other part-time employees receive the benefits which vary depending on the number of hours worked.

NOTE 14 - SHORT-TERM NOTES PAYABLE

On January 9, 2001, the School District paid the \$14,025,000 bond anticipation notes for the construction of a new middle school, additions and renovations to the high school and renovations to the junior high building.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Balance 6/30/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2001</u>
General Long Term Obligations				
General Obligation Bonds				
2000 4.40 – 15.25%				
Term Bonds	\$0	\$9,850,000	\$0	\$9,850,000
Serial Bonds	0	3,845,000	0	3,845,000
Capital Appreciation Bonds	0	1,091,262	0	1,091,262
Total General Obligation Bonds	<u>0</u>	<u>14,786,262</u>	<u>0</u>	<u>14,786,262</u>
Intergovernmental Payable	47,928	32,971	47,928	32,971
Compensated Absences Payable	333,877	58,186	0	392,063
Total Long Term Obligations	<u>\$381,805</u>	<u>\$14,877,419</u>	<u>\$47,928</u>	<u>\$15,211,296</u>

School Improvement General Obligation Bonds – On October 1, 2000, the School District issued \$14,024,664 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$3,845,000, \$9,850,000 and \$329,664, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

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

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS *(continued)*

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

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

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

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

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

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

The serial bonds maturing after December 1, 2010, are subject to optional redemption, in whole or in part on any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2010, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

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

The capital appreciation bonds will mature in fiscal years 2011 through 2014. The maturity amount of the bonds is \$2,080,000. For fiscal year 2001, \$41,772 was accreted for a total bond value of \$1,091,262.

Compensated absences and the intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented at net because it is not practical to determine the actual increase and decrease.

**MINSTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS *(continued)*

The School District's overall legal debt margin was (\$2,321,145) with an unvoted debt margin of \$130,042 at June 30, 2001. On April 5, 1999, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative legal debt margin.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001 were as follows:

Fiscal Year	Principal	Interest	Total
2002	\$135,000	\$736,537	\$871,537
2003	315,000	726,480	1,041,480
2004	355,000	711,316	1,066,316
2005	375,000	694,615	1,069,615
2006	390,000	676,922	1,066,922
2007 – 2011	2,275,000	3,080,262	5,355,262
2012 – 2016	889,664	4,527,585	5,417,259
2017 – 2021	3,175,000	2,211,827	5,386,827
2022 – 2028	6,115,000	1,297,250	7,412,250
Total	\$14,024,664	\$14,662,794	\$28,687,458

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be 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 2001.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$18,962	\$(14,017,206)	\$115,471	\$(13,882,773)
Current Year Set-aside Requirement	147,499	147,499	0	294,998
Current Year Offsets	0	(60,652)	(86,788)	(147,440)
Qualifying Disbursements	(106,348)	(1,341)	0	(107,689)
Set-aside Carried Forward to Future Fiscal Years	<u>\$60,113</u>	<u>\$(13,931,700)</u>	<u>\$28,683</u>	<u>\$(13,842,904)</u>
Set-aside Reserve Balances as of June 30, 2001	<u>\$60,113</u>	<u>\$6,117</u>	<u>\$28,683</u>	<u>\$94,913</u>

For capital acquisition, the extra amount, which was a result of capital expenditures from bond proceeds, can be used to reduce the set-aside requirements of future years.

**MINSTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and recreation. The table below reflects the more significant financial data relating to the enterprise funds of the Minster Local School District as of and for the fiscal year ended June 30, 2001.

	Lunchroom	Uniform School Supply	Recreation	Total
Operating Revenues	\$166,439	\$30,845	\$0	\$197,284
Depreciation	1,399	0	5,251	6,650
Operating Income (Loss)	(50,704)	6,311	(25,256)	(69,649)
Federal Donated Commodities	17,304	0	0	17,304
Operating Grants	24,174	0	1,122	25,296
Net Income(Loss)	(7,230)	6,310	(3,813)	(4,733)
Contributed Capital	8,122	0	3,297	11,419
Net Working Capital	31,344	20,068	27,177	78,589
Total Assets	63,638	20,068	100,665	184,371
Total Fund Equity	31,420	20,068	82,359	133,847
Encumbrances Outstanding (Budget Basis)	0	2,661	1,425	4,086

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Shelby, Hardin, Logan, and Champaign 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 one representative from the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

Auglaize County Local Professional Development Committee – The School District is a participant in the Auglaize County Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public school districts within the boundaries of Auglaize County. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Auglaize County Educational Service Center, 502 Industrial Drive, Wapakoneta, Ohio 45895.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATION *(continued)*

The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer at the Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

SERRC is governed by a governing board of 52 members made up of representatives from 50 superintendents of the participating districts, one non-public school, and one from Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

NOTE 19 - INSURANCE POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mercer/Auglaize Employee Welfare Benefit Association - The Mercer-Auglaize Employee Benefit Trust (the Plan), a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust.

Each district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as Consultant with Schmidt, Long, and Associated, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 20 - SCHOOL FUNDING

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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

Minster Local School District
Auglaize County
100 East Seventh Street
Minster, Ohio 45865-1097

To the Board of Education:

We have audited the financial statements of Minster Local School District, Auglaize County, (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 16, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 16, 2002.

Minster Local School District – Auglaize County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

December 16, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MINSTER LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2003**