

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

**BASIC FINANCIAL STATEMENTS  
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017***

**LAURA KLOSTERMAN, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Minster Local School District, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Minster Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 8, 2018

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

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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## Independent Auditor's Report

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Minster Local School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the Minster Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Other Information***

We applied no procedures to the Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Minster Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minster Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 22, 2017



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of the Minster Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2017, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- The total net cash position of the School District increased \$8,630,022 or 160.24% from fiscal year 2016.
- General cash receipts accounted for \$18,283,431 or 92.93% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,390,598 or 7.07% of total governmental activities cash receipts.
- The School District had \$11,044,007 in cash disbursements related to governmental activities; \$1,390,598 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities of \$18,283,431 were adequate to provide for these programs.
- The School District's major funds are the general fund, the bond retirement fund and the classroom facilities fund. The general fund had cash receipts and other financing sources of \$9,979,196 in 2017. The cash disbursements and other financing uses of the general fund totaled \$8,708,443 in 2017. The general fund's cash balance increased \$1,270,753 or 33.49% from 2016 to 2017.
- The bond retirement fund had cash receipts and other financing sources of \$1,656,428 in 2017. The cash disbursements and other financing uses of the bond retirement fund totaled \$1,546,019 in 2017. The bond retirement fund's cash balance increased \$110,409 or 8.68% from 2016 to 2017.
- The classroom facilities fund had \$6,785,083 in cash receipts and other financing sources. During fiscal year 2017, the classroom facilities fund cash balance increased \$6,785,083 from \$0 to \$6,785,083.

**Using the Basic Financial Statements (BFS)**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Reporting the School District as a Whole**

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

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2017?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

**Reporting the School District's Most Significant Funds**

***Fund Financial Statements***

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

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

***Governmental Funds***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

***Fiduciary Funds***

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

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

***Notes to the Financial Statements***

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

**Government-Wide Financial Analysis**

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

The table below provides a summary of the School District's net cash position at June 30, 2017 and June 30, 2016.

	<b>Net Cash Position</b>	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 14,015,582	\$ 5,385,560
Total assets	<u>14,015,582</u>	<u>5,385,560</u>
<u>Net Cash Position</u>		
Restricted	8,926,641	1,562,237
Unrestricted	<u>5,088,941</u>	<u>3,823,323</u>
Total net cash position	<u>\$ 14,015,582</u>	<u>\$ 5,385,560</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The total net cash position of the School District increased \$8,630,022 which represents a 160.24% increase from fiscal year 2016. The balance of government-wide unrestricted net cash position of \$5,088,941 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2017 and 2016.

	<b>Change in Net Cash Position</b>	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 702,284	\$ 628,642
Operating grants and contributions	<u>688,314</u>	<u>623,875</u>
Total program cash receipts	<u>1,390,598</u>	<u>1,252,517</u>
General cash receipts:		
Property and other taxes	6,030,952	6,063,033
Unrestricted grants:		
Operating	4,497,871	4,567,646
Proceeds of bonds issued	7,100,000	-
Premium on bonds issued	376,955	-
Investment earnings	18,650	10,216
Other	<u>259,003</u>	<u>233,420</u>
Total general cash receipts	<u>18,283,431</u>	<u>10,874,315</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Change in Net Cash Position**

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 4,765,978	\$ 4,451,898
Special	731,667	697,908
Vocational	137,175	125,150
Support services:		
Pupil	700,749	663,752
Instructional staff	234,511	222,857
Board of education	41,960	32,061
Administration	477,359	463,603
Fiscal	252,564	260,849
Operations and maintenance	900,162	883,927
Pupil transportation	297,497	285,627
Central	21,642	21,715
Operation of non instructional services	15,650	21,551
Food service operations	383,610	358,048
Extracurricular	442,960	467,248
Facilities acquisition and construction	498,458	245,108
Debt service:		
Principal retirement	68,729	155,944
Interest and fiscal charges	1,073,336	937,355
	<u>11,044,007</u>	<u>10,294,601</u>
Total cash disbursements		
Change in net cash position	8,630,022	1,832,231
Net cash position at beginning of year	<u>5,385,560</u>	<u>3,553,329</u>
Net cash position at end of year	<u>\$ 14,015,582</u>	<u>\$ 5,385,560</u>

**Governmental Activities**

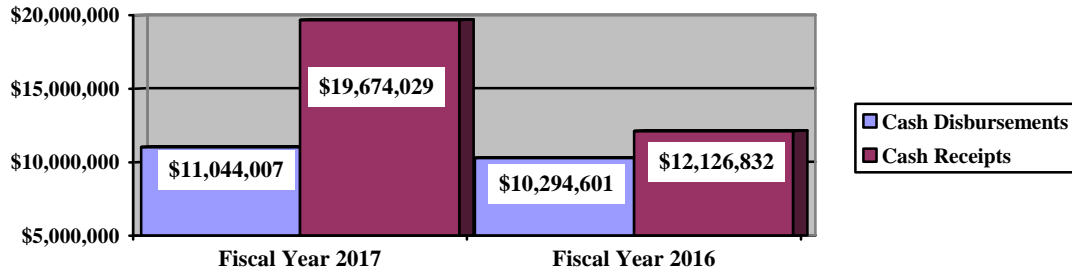
Governmental net cash position increased by \$8,630,022 in 2017 from 2016. Total governmental disbursements of \$11,044,007 were offset by program receipts of \$1,390,598 and general receipts of \$18,283,431. Program receipts supported 12.59% of the total governmental disbursements. The largest governmental disbursement was instructional which totaled \$5,634,820.

The primary sources of receipts for governmental activities are derived from taxes, unrestricted grants and entitlements and bond issuance and premiums. These receipt sources represent 91.52% of total governmental receipts. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



**Governmental Activities**

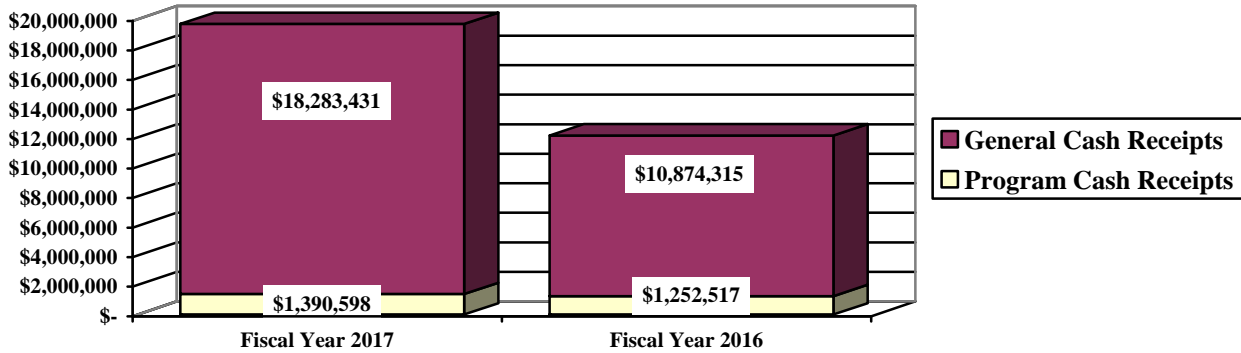
	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 4,765,978	\$ 4,525,187	\$ 4,451,898	\$ 4,282,595
Special	731,667	351,789	697,908	248,511
Vocational	137,175	75,121	125,150	90,959
Support services:				
Pupil	700,749	630,339	663,752	663,752
Instructional staff	234,511	217,060	222,857	208,444
Board of education	41,960	41,960	32,061	32,061
Administration	477,359	474,890	463,603	460,772
Fiscal	252,564	252,564	260,849	260,849
Operations and maintenance	900,162	897,084	883,927	875,458
Pupil transportation	297,497	289,504	285,627	278,178
Central	21,642	21,642	21,715	21,715
Operation of non instructional services	15,650	15,650	21,551	20,351
Food service operations	383,610	(22,340)	358,048	(42,512)
Extracurricular	442,960	242,436	467,248	302,544
Facilities acquisition and construction	498,458	498,458	245,108	245,108
Debt service:				
Principal retirement	68,729	68,729	155,944	155,944
Interest and fiscal charges	<u>1,073,336</u>	<u>1,073,336</u>	<u>937,355</u>	<u>937,355</u>
<b>Total</b>	<u>\$ 11,044,007</u>	<u>\$ 9,653,409</u>	<u>\$ 10,294,601</u>	<u>\$ 9,042,084</u>

The dependence upon general cash receipts for governmental activities is apparent; with 87.41% of cash disbursements supported through general cash receipts during 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The School District's governmental funds reported a combined fund cash balance of \$14,015,582, which is \$8,630,022 higher than last year's total of \$5,385,560. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2017</u>	Fund Cash Balance <u>June 30, 2016</u>	<u>Increase</u>
General	\$ 5,065,246	\$ 3,794,493	\$ 1,270,753
Bond retirement fund	1,382,935	1,272,526	110,409
Classroom facilities	6,785,083	-	6,785,083
Other nonmajor governmental funds	<u>782,318</u>	<u>318,541</u>	<u>463,777</u>
<b>Total</b>	<b><u>\$ 14,015,582</u></b>	<b><u>\$ 5,385,560</u></b>	<b><u>\$ 8,630,022</u></b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

***General Fund***

The general fund's cash balance increased \$1,270,753 or 33.49% from 2016 to 2017.

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

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 5,020,085	\$ 5,081,945	(1.22) %
Tuition and fees	222,706	157,481	41.42 %
Earnings on investments	18,650	10,216	82.56 %
Extracurricular	1,842	-	- %
Other local revenues	259,363	236,261	9.78 %
Intergovernmental	<u>4,446,925</u>	<u>4,502,276</u>	(1.23) %
Total	<u>\$ 9,969,571</u>	<u>\$ 9,988,179</u>	(0.19) %

Overall, general fund cash receipts remained consistent with prior year, with a decrease of 0.19%. The increase in tuition and fees of 41.42% was due to an increase in open enrollment.

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

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 5,474,334	\$ 5,072,276	7.93 %
Support services	2,811,291	2,795,452	0.57 %
Extracurricular	271,862	289,371	(6.05) %
Facilities acquisition and construction	137,480	221,413	(37.91) %
Debt service	<u>13,476</u>	<u>13,476</u>	- %
Total	<u>\$ 8,708,443</u>	<u>\$ 8,391,988</u>	3.77 %

Facilities acquisitions and construction decreased by 37.91% due to decreased maintenance and repairs throughout the District. All other disbursements remained consistent with prior year.

***Bond Retirement Fund***

The bond retirement fund had cash receipts and other financing sources of \$1,656,428 in 2017. The cash disbursements and other financing uses of the bond retirement fund totaled \$1,546,019 in 2017. The bond retirement fund's cash balance increased \$110,409 or 8.68% from 2016 to 2017.

***Classroom Facilities Fund***

The classroom facilities fund had other financing sources of \$6,785,083 in 2017, and the fund had \$0 of disbursements. The classroom facilities fund's cash balance increased \$6,785,083 from 2016 to 2017.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

***Budgeting Highlights - General Fund***

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

For the general fund, final budgetary basis receipts and other financing sources of \$10,013,984 were equal to the original budget estimates and other financing sources of \$10,013,984. Actual cash receipts and other financing sources of \$10,066,858 were higher than final budget estimates and other financing sources by \$52,874.

The final budgetary disbursement and other financing uses of \$8,788,449 were lower than original budgetary basis disbursements and other financing uses of \$8,805,414. The actual budgetary basis disbursements and other financing uses of \$8,788,436 were \$13 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$498,458 during fiscal year 2017.

***Debt Administration***

At June 30, 2017, the School District had \$15,381,279 in general obligation bonds outstanding and \$31,608 in capital lease obligations outstanding. Of this total \$568,451 is due within one year and \$14,844,436 is due in more than one year.

The following table summarizes the obligations outstanding.

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation refunding bonds	\$ 8,281,279	\$ 8,338,428
School facilities		
construction and improvement bond	7,100,000	-
Capital lease obligations	<u>31,608</u>	<u>43,188</u>
Total long-term obligations	<u>\$ 15,412,887</u>	<u>\$ 8,381,616</u>

Refer to Notes 13 and 14 to the basic financial statements for further detail.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Current Financial Related Activities**

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

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

**Contacting the School District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 14,015,582
Total assets. . . . .	\$ 14,015,582
<b>Net position:</b>	
Restricted for:	
Capital projects . . . . .	\$ 7,252,591
Classroom facilities maintenance . . . . .	38,984
Debt service. . . . .	1,382,935
Federally funded programs . . . . .	1,388
Student activities . . . . .	53,599
Other purposes . . . . .	197,144
Unrestricted . . . . .	5,088,941
Total net position. . . . .	\$ 14,015,582

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Disbursements	Program Receipts		Net (Disbursements)
		Charges for Services	Operating Grants and Contributions	Receipts and Change in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,765,978	\$ 222,706	\$ 18,085	\$ (4,525,187)
Special . . . . .	731,667	-	379,878	(351,789)
Vocational . . . . .	137,175	-	62,054	(75,121)
Support services:				
Pupil . . . . .	700,749	-	70,410	(630,339)
Instructional staff . . . . .	234,511	-	17,451	(217,060)
Board of education . . . . .	41,960	-	-	(41,960)
Administration . . . . .	477,359	-	2,469	(474,890)
Fiscal . . . . .	252,564	-	-	(252,564)
Operations and maintenance . . . . .	900,162	2,574	504	(897,084)
Pupil transportation . . . . .	297,497	-	7,993	(289,504)
Central . . . . .	21,642	-	-	(21,642)
Operation of non-instructional services:				
Other non-instructional services . . . . .	15,650	-	-	(15,650)
Food service operations . . . . .	383,610	331,018	74,932	22,340
Extracurricular activities . . . . .	442,960	145,986	54,538	(242,436)
Facility acquisition and construction . . . . .	498,458	-	-	(498,458)
Debt service:				
Principal retirement . . . . .	68,729	-	-	(68,729)
Interest and fiscal charges . . . . .	1,073,336	-	-	(1,073,336)
<b>Total governmental activities . . . . .</b>	<b>\$ 11,044,007</b>	<b>\$ 702,284</b>	<b>\$ 688,314</b>	<b>(9,653,409)</b>

**General receipts:**

Property taxes levied for:	
General purposes . . . . .	3,484,992
Debt service . . . . .	931,232
Permanent improvements . . . . .	31,515
Recreation . . . . .	48,120
Income taxes levied for:	
General purposes . . . . .	1,535,093
Grants and entitlements not restricted to specific programs . . . . .	4,497,871
Investment earnings . . . . .	18,650
Bond issuance . . . . .	7,100,000
Premium on refunding bonds issued . . . . .	376,955
Miscellaneous . . . . .	259,003
<b>Total general receipts . . . . .</b>	<b>18,283,431</b>
Change in net position . . . . .	8,630,022
<b>Net cash position at beginning of year . . . . .</b>	<b>5,385,560</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 14,015,582</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 5,065,246	\$ 1,382,935	\$ 6,785,083	\$ 782,318	\$ 14,015,582
Total cash assets . . . . .	<u>\$ 5,065,246</u>	<u>\$ 1,382,935</u>	<u>6,785,083</u>	<u>\$ 782,318</u>	<u>\$ 14,015,582</u>
<b>Fund cash balances:</b>					
Nonspendable:					
Unclaimed monies . . . . .	\$ 2,703	\$ -	\$ -	\$ -	\$ 2,703
Restricted:					
Debt service . . . . .	-	1,382,935	-	-	1,382,935
Capital improvements . . . . .	-	-	6,785,083	467,508	7,252,591
Classroom facilities maintenance . . . . .	-	-	-	38,984	38,984
Food service operations . . . . .	-	-	-	186,685	186,685
Other purposes. . . . .	-	-	-	11,847	11,847
Extracurricular. . . . .	-	-	-	53,599	53,599
Committed:					
Adult education . . . . .	-	-	-	23,695	23,695
Termination benefits. . . . .	1	-	-	-	1
Assigned:					
Student and staff support. . . . .	918	-	-	-	918
Other purposes. . . . .	25,152	-	-	-	25,152
Unassigned . . . . .	5,036,472	-	-	-	5,036,472
Total fund balances . . . . .	<u>\$ 5,065,246</u>	<u>\$ 1,382,935</u>	<u>6,785,083</u>	<u>\$ 782,318</u>	<u>\$ 14,015,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Cash receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 3,484,992	\$ 931,232	\$ -	\$ 79,635	\$ 4,495,859
Income taxes . . . . .	1,535,093	-	-	-	1,535,093
Tuition . . . . .	165,163	-	-	-	165,163
Earnings on investments . . . . .	18,650	-	-	31	18,681
Charges for services . . . . .	-	-	-	331,390	331,390
Extracurricular . . . . .	1,842	-	-	145,986	147,828
Classroom materials and fees . . . . .	57,543	-	-	-	57,543
Rental income . . . . .	360	-	-	-	360
Contributions and donations . . . . .	32,192	-	-	16,321	48,513
Other local revenues . . . . .	226,811	-	-	49,065	275,876
Intergovernmental - state . . . . .	4,440,145	348,241	-	12,489	4,800,875
Intergovernmental - federal . . . . .	6,780	-	-	313,113	319,893
Total cash receipts . . . . .	<u>9,969,571</u>	<u>1,279,473</u>	<u>-</u>	<u>948,030</u>	<u>12,197,074</u>
<b>Cash Disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	4,750,053	-	-	15,925	4,765,978
Special . . . . .	587,106	-	-	144,561	731,667
Vocational . . . . .	137,175	-	-	-	137,175
Support services:					
Pupil . . . . .	630,339	-	-	70,410	700,749
Instructional staff . . . . .	218,510	-	-	16,001	234,511
Board of education . . . . .	41,960	-	-	-	41,960
Administration . . . . .	475,148	-	-	2,211	477,359
Fiscal . . . . .	233,581	17,430	-	1,553	252,564
Operations and maintenance . . . . .	892,614	-	-	7,548	900,162
Pupil transportation . . . . .	297,497	-	-	-	297,497
Central . . . . .	21,642	-	-	-	21,642
Operation of non-instructional services:					
Other operation of non-instructional . . . . .	-	-	-	15,650	15,650
Food service operations . . . . .	-	-	-	383,610	383,610
Extracurricular activities . . . . .	271,862	-	-	171,098	442,960
Facilities acquisition and construction . . . . .	137,480	-	-	360,978	498,458
Debt service:					
Principal retirement . . . . .	11,580	57,149	-	-	68,729
Interest and fiscal charges . . . . .	1,896	942,165	-	-	944,061
Bond issuance costs . . . . .	-	129,275	-	-	129,275
Total cash disbursements . . . . .	<u>8,708,443</u>	<u>1,146,019</u>	<u>-</u>	<u>1,189,545</u>	<u>11,044,007</u>
Excess of receipts over disbursements . . . . .	<u>1,261,128</u>	<u>133,454</u>	<u>-</u>	<u>(241,515)</u>	<u>1,153,067</u>
<b>Other financing sources (uses):</b>					
Premium on bonds issued . . . . .	-	376,955	-	-	376,955
Bonds issued . . . . .	-	-	-	7,100,000	7,100,000
Transfers in . . . . .	625	-	6,785,083	400,000	7,185,708
Transfers (out) . . . . .	-	(400,000)	-	(6,785,708)	(7,185,708)
Advances in . . . . .	9,000	-	-	-	9,000
Advances (out) . . . . .	-	-	-	(9,000)	(9,000)
Total other financing sources (uses) . . . . .	<u>9,625</u>	<u>(23,045)</u>	<u>6,785,083</u>	<u>705,292</u>	<u>7,476,955</u>
Net change in fund balances . . . . .	1,270,753	110,409	6,785,083	463,777	8,630,022
<b>Fund balances at beginning of year . . . . .</b>	<u>3,794,493</u>	<u>1,272,526</u>	<u>-</u>	<u>318,541</u>	<u>5,385,560</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 5,065,246</u>	<u>\$ 1,382,935</u>	<u>\$ 6,785,083</u>	<u>\$ 782,318</u>	<u>\$ 14,015,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,731,426	\$ 3,731,426	\$ 3,484,991	\$ (246,435)
Income taxes. . . . .	1,573,820	1,573,820	1,535,093	(38,727)
Tuition. . . . .	149,700	149,700	165,163	15,463
Earnings on investments . . . . .	25,000	25,000	18,650	(6,350)
Classroom materials and fees . . . . .	37,000	37,000	35,543	(1,457)
Rental income . . . . .	500	500	360	(140)
Contributions and donations . . . . .	26,000	26,000	31,882	5,882
Other local revenues . . . . .	101,475	101,475	141,575	40,100
Intergovernmental - state . . . . .	4,204,163	4,204,163	4,440,144	235,981
Intergovernmental - federal . . . . .	-	-	6,780	6,780
Total budgetary basis receipts . . . . .	<u>9,849,084</u>	<u>9,849,084</u>	<u>9,860,181</u>	<u>11,097</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	5,362,232	5,353,008	4,681,518	671,490
Special. . . . .	352,606	351,449	587,106	(235,657)
Vocational. . . . .	91,948	91,678	137,175	(45,497)
Support services:				
Pupil. . . . .	589,351	588,109	630,339	(42,230)
Instructional staff . . . . .	175,673	175,242	218,510	(43,268)
Board of education . . . . .	35,930	35,850	40,521	(4,671)
Administration. . . . .	374,874	373,934	476,853	(102,919)
Fiscal . . . . .	203,366	202,905	234,059	(31,154)
Operations and maintenance. . . . .	760,899	759,161	882,224	(123,063)
Pupil transportation . . . . .	160,249	159,674	291,724	(132,050)
Central. . . . .	22,296	22,253	21,642	611
Extracurricular activities. . . . .	230,955	230,422	270,555	(40,133)
Facilities acquisition and construction . . . . .	266,305	266,034	137,480	128,554
Total budgetary basis disbursements . . . . .	<u>8,626,684</u>	<u>8,609,719</u>	<u>8,609,706</u>	<u>13</u>
Excess of receipts over disbursements . . . . .	<u>1,222,400</u>	<u>1,239,365</u>	<u>1,250,475</u>	<u>11,110</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	6,000	6,000	36,102	30,102
Transfers in . . . . .	146,000	146,000	155,625	9,625
Transfers (out). . . . .	(178,730)	(178,730)	(178,730)	-
Advances in. . . . .	9,000	9,000	9,000	-
Sale of assets . . . . .	3,900	3,900	5,950	2,050
Total other financing sources (uses) . . . . .	<u>(13,830)</u>	<u>(13,830)</u>	<u>27,947</u>	<u>41,777</u>
Net change in fund balance . . . . .	1,208,570	1,225,535	1,278,422	52,887
<b>Fund balance at</b>				
<b>beginning of year . . . . .</b>	3,463,318	3,463,318	3,463,318	-
<b>Prior year encumbrances appropriated . . . . .</b>	278,020	278,020	278,020	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,949,908</u>	<u>\$ 4,966,873</u>	<u>\$ 5,019,760</u>	<u>\$ 52,887</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 72,001
Total assets. . . . .	<u>\$ 72,001</u>
<b>Net Position:</b>	
Held for student activities . . . . .	\$ 66,925
Undistributed assets . . . . .	<u>5,076</u>
Total net position . . . . .	<u>\$ 72,001</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District serves an area of approximately thirty square miles. It is located in Auglaize, Darke, Mercer, and Shelby Counties. The School District is the 395 largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 42 classified employees, 81 certified teaching personnel, and 4 administrative employees who provide services to 858 students and other community members. The School District currently operates two school buildings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

The School District participates in three jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Western Ohio Computer Organization, Auglaize County Educational Academy, Ohio School Plan, Mercer-Auglaize Area School Employee Welfare Benefit Trust, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**B. Basis of Presentation**

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

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

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

*FIDUCIARY FUNDS*

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

**D. Basis of Accounting**

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

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

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the summary of levy funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The summary of levy funds provides the County Budget Commission information on the estimated receipts and disbursements for those funds that receive property tax receipts. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level for the General Fund and the function and object level for all other funds are made by the Treasurer.

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

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

**F. Cash and Investments**

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

During fiscal year 2017, the School District's investments consisted of negotiable and nonnegotiable certificates of deposit and federal agency securities, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 was \$18,650, which includes \$10,179 assigned from other School District funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**G. Restricted Assets**

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

Assets restricted for other purposes represent unexpended resources restricted for unclaimed monies.

**H. Capital Assets**

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

**I. Compensated Absences**

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

**J. Long-Term Obligations**

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

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for recreation and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net cash position restricted for other purposes primarily represents resources for use in the School District's food service.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**M. Interfund Activity**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**N. Pensions**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans", GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14" and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures did not apply to the District's fiscal year 2017 financial statements.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.



**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Compliance**

Ohio Administrative Code, 117-2-03(B), requires that the School District prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2017, the School District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all School District deposits was \$5,826,520. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2017, \$3,309,737 of the School District's bank balance of \$5,922,877, was exposed to custodial risk as discussed below, while \$2,613,140 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2017, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
Negotiable CD's	\$ 4,870,000	\$ 2,275,000	\$ 1,845,000	\$ 500,000	\$ 250,000
Government Agency Bonds	<u>3,382,168</u>	<u>692,726</u>	<u>1,202,623</u>	<u>1,486,819</u>	<u>-</u>
Total	<u>\$ 8,252,168</u>	<u>\$ 2,967,726</u>	<u>\$ 3,047,623</u>	<u>\$ 1,986,819</u>	<u>\$ 250,000</u>

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

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

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

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

The following table includes the percentage of each investment type held by the School District at June 30, 2017:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of total</u>
Negotiable CD's	\$ 4,870,000	59%
Government Agency Bonds	<u>3,382,168</u>	<u>41%</u>
Total	<u>\$ 8,252,168</u>	<u>100%</u>

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

Cash and Investments per note

Carrying amount of deposits	\$ 5,826,520
Investments	8,252,168
Cash on hand	<u>8,895</u>
Total	<u>\$ 14,087,583</u>

Cash and Investments per Statement of Net Position - Cash Basis

Governmental activities	\$ 14,015,582
Agency funds	<u>72,001</u>
Total	<u>\$ 14,087,583</u>

**NOTE 5 - INCOME TAXES**

The School District levied a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2012, and expired on December 31, 2016. The tax was renewed with a fifteen-year term expiring on December 31, 2031. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6 - PROPERTY TAXES - (Continued)**

The School District receives property taxes from Auglaize, Darke, Mercer and Shelby Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 138,462,600	99.00	\$ 142,149,410	98.94
Public utility personal	<u>1,392,830</u>	<u>1.00</u>	<u>1,518,690</u>	<u>1.06</u>
Total	<u>\$ 139,855,430</u>	<u>100.00</u>	<u>\$ 143,668,100</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$53.17		\$69.27	

**NOTE 7 - PAYMENT IN LIEU OF TAXES**

According to State law, the Village of New Bremen has entered into agreements with a number of property owners under which the Village has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the Village which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreements expire.

**NOTE 8 - INTERFUND BALANCES**

A. Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers from nonmajor governmental fund to:</u>	
Classroom facilities fund	\$ 6,785,083
General fund	625
 <u>Transfer from Bond Retirement fund to:</u>	
Nonmajor governmental fund	<u>400,000</u>
Total	<u>\$ 7,185,708</u>

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 8 – INTERFUND BALANCES - (Continued)**

Transfers from nonmajor governmental funds to the Classroom Facilities fund was required by Ohio School Facilities Commission. Transfers from nonmajor governmental funds to the General fund were due to closing of funds. Transfers from the Bond Retirement fund to nonmajor governmental funds were approved by the County Board of Commissioners

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

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

- B. The Athletic fund repaid its \$9,000 fiscal year 2016 advance from the General fund.

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$5,000,000
Aggregate	7,000,000
Automobile Liability	5,000,000
Building and Contents	46,542,425
Earthquake	30,000,000

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

For fiscal year 2017, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 – RISK MANAGEMENT - (Continued)**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan.

**NOTE 10 - PENSION PLANS**

***Net Pension Liability***

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

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$134,500 for fiscal year 2017.

***Plan Description - State Teachers Retirement System (STRS)***

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - PENSION PLANS - (Continued)**

The School District's contractually required contribution to STRS Ohio was \$554,687 for fiscal year 2017.

***Net Pension Liability***

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

	SERS	STRS Ohio	Total
Proportion of the net pension liability prior measurement date	0.02615870%	0.03665789%	
Proportion of the net pension liability current measurement date	<u>0.02679350%</u>	<u>0.03631616%</u>	
Change in proportionate share	<u>0.00063480%</u>	<u>-0.00034173%</u>	
Proportionate share of the net pension liability	\$ 1,961,037	\$ 12,156,113	\$ 14,117,150

***Actuarial Assumptions - SERS***

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - PENSION PLANS - (Continued)**

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - PENSION PLANS - (Continued)**

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

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

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

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

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
School District's proportionate share of the net pension liability	\$ 2,596,291	\$ 1,961,037	\$ 1,429,303

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - PENSION PLANS - (Continued)**

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

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.75%	7.75%	8.75%
School District's proportionate share of the net pension liability	\$16,154,487	\$ 12,156,113	\$ 8,783,250

**Changes Between Measurement Date and Report Date** - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2017. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$12,589, \$0, and \$21,208, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The School District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

The School District also provides vision insurance to all employees through Vision Service Plan and life insurance and accidental death and dismemberment insurance through American United Life Insurance Company.

**C. Separation Benefit**

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

1. Have a total of twenty-five or more years of experience;
2. Have a total of at least ten years of service credit in the Minster Local School District;
3. Give written notice to the Superintendent by no later than March 1 of the year he/she first becomes eligible for full retirement under STRS/SERS; and,
4. Effective at the end of fiscal year: cannot leave in middle of fiscal year; and,
5. Show receipt of his/her retirement benefits from STRS/SERS.

Employees meeting the requirements shall receive an amount equal to one day of severance pay for each year of service in education, not to exceed 30 days. The School District will pay the incentive in a onetime lump sum payment within sixty days after all of the eligibility criteria are satisfied.



**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In fiscal year 2015, the School District entered into capital leases for copiers. The terms of each lease agreement provide an option to purchase the copier. These leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service disbursements in the statement of cash receipts, cash disbursements and changes in fund cash balances - governmental funds. These disbursements are reflected as program/function disbursements on a budgetary basis. Principal payments in the 2017 fiscal year totaled \$11,580. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2017:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	13,476
2019	13,476
2020	<u>6,738</u>
Total minimum lease payments	33,690
Less: amount representing interest	<u>(2,082)</u>
Total	<u>\$ 31,608</u>

**NOTE 14 - LONG-TERM OBLIGATIONS**

The table that follows summarizes the changes in the School District's long-term obligations during fiscal year 2017.

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2017</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital appreciation bonds	\$ 43,428	\$ -	\$ (22,149)	\$ 21,279	\$ 21,279
Capital appreciation Bond Accretion	1,038,917	283,207	(702,851)	619,273	602,501
Series 2015 school improvement refunding bonds:					
Current interest bonds	8,295,000	-	(35,000)	8,260,000	35,000
School Facilities					
Construction and Improvement bond	-	7,100,000	-	7,100,000	500,000
Capital lease obligation	<u>43,188</u>	<u>-</u>	<u>(11,580)</u>	<u>31,608</u>	<u>12,172</u>
Total governmental activities	<u>\$ 9,420,533</u>	<u>\$ 7,383,207</u>	<u>\$ (771,580)</u>	<u>\$ 16,032,160</u>	<u>\$ 1,170,952</u>

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, were as follows:

Fiscal Year Ending June 30,	<u>Series 2005 School Improvement Bonds</u>	
	<u>Capital Appreciation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 21,279	\$ 703,721
Total	<u>\$ 21,279</u>	<u>\$ 703,721</u>

Fiscal Year Ending June 30,	<u>Series 2015 School Improvement Refunding Bonds</u>	
	<u>Current Interest Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 35,000	\$ 165,200
2019	740,000	246,750
2020	745,000	149,700
2021	760,000	134,800
2022	780,000	178,350
2023 - 2027	4,325,000	512,188
2028	<u>875,000</u>	<u>29,400</u>
Total	<u>\$ 8,260,000</u>	<u>\$ 1,416,388</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30,	School Facilities Construction and Improvement Bonds, Series 2017	
	Current Interest Bonds	
	Principal	Interest
2018	\$ 500,000	\$ 142,000
2019	405,000	132,000
2020	415,000	123,900
2021	425,000	173,400
2022	430,000	107,100
2023 - 2027	2,285,000	534,775
2028 - 2032	<u>2,640,000</u>	<u>277,775</u>
Total	<u>\$ 7,100,000</u>	<u>\$ 1,490,950</u>

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

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

*Legal Debt Margin:* The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$0 (including available funds of \$1,382,935) and an unvoted debt margin of \$143,668.

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

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

	<b>Net Change in Fund Balance</b>
	<u>General</u>
Budget basis	\$ 1,278,422
Funds budgeted elsewhere	<u>(7,669)</u>
Cash basis	<u><u>\$ 1,270,753</u></u>

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

**NOTE 16 - SET-ASIDES**

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

**MINSTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 16 - SET-ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	150,831
Current year qualifying disbursements	-
Current year offsets	(31,515)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(119,316)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Auglaize County Local Professional Development Committee**

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

**B. Western Ohio Computer Organization**

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

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

**C. Auglaize County Educational Academy**

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1130 East Albert Street, Lima, Ohio 45804.

**NOTE 18 - INSURANCE POOLS**

**A. Ohio School Plan**

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

**B. Mercer-Auglaize Area School Employee Welfare Benefit Trust**

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 18 - INSURANCE POOLS - (Continued)**

The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**B. Litigation**

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

**C. Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Minster Local School District's basic financial statements and have issued our report thereon dated December 22, 2017, wherein we noted the Minster Local School District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Minster Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Board of Education  
Minster Local School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Minster Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2017-001.

***Minster Local School District's Response to Findings***

The Minster Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Minster Local School District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Julian & Grube, Inc.  
December 22, 2017

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

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2017-001

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

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

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

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

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

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

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</b>
2016-001	Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The School District prepared its annual financial report in accordance with the cash basis of accounting.	No	Repeated as finding 2017-001

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# Dave Yost • Auditor of State

**MINSTER LOCAL SCHOOL DISTRICT**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 22, 2018**