



Mary Taylor, CPA
Auditor of State

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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AUGLAIZE COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minster Local School District, Auglaize County, (the School District), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minster Local School District, Auglaize County, as of June 30, 2006 and 2005, and the respective changes in the cash basis financial position and the respective budgetary comparisons for the General and Athletics funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

March 19, 2007

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of Minster Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2006, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Highlights for fiscal year 2006 are as follows:

- The General Fund continues to receive advances of tangible property tax from the following fiscal year's October settlement to meet June expenditures.
- Student enrollment continues to decline resulting in losses of State revenue. The School District received an increase in basic aid due to changes in recognized property valuations and an increase in the per pupil funding amount.
- In fiscal year 2006, the School District adopted a resolution to discontinue Minster Community School at fiscal year end. During fiscal year 2006, the School District provided contracted services to the community school such as teachers, administration, classroom space, and instructional materials and equipment. The School District paid through State foundation deductions for students enrolled in the community school, in the amount of \$854,667. The School District received payments from the community school for purchased services, in the amount of \$902,775.
- The School District did not experience an increase in health care costs during fiscal year 2006. However, the employee's share of the health care premium increased by 2 percent, from 3 to 5 percent beginning in July 2005.

USING THIS ANNUAL REPORT

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting The School District's Most Significant Funds

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005:

**Table 1
Net Assets**

	Governmental Activities	
	2006	2005
Assets:		
Cash and Cash Equivalents	\$417,729	\$661,534
Net Assets:		
Restricted	463,879	701,253
Unrestricted (Deficit)	(46,150)	(39,719)
Total Net Assets	\$417,729	\$661,534

Total net assets decreased \$243,805, or 37 percent. During fiscal year 2006, the county auditor reduced the property taxes collected for the repayment of debt. Therefore, cash reserves were disbursed to meet the principal and interest obligations on the School District's general obligation bonds. In addition, improvements and purchases of equipment during fiscal year 2006 reduced the available cash reserves in the capital projects funds.

Table 2 reflects the changes in net assets for fiscal year 2006 and fiscal year 2005.

**Table 2
Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
	Receipts:	
Program Receipts		
Charges for Services	\$1,280,521	\$1,172,148
Operating Grants and Contributions	350,581	424,347
Capital Grants and Contributions	2,223	11,923
Total Program Receipts	1,633,325	1,608,418
General Receipts		
Property Taxes Levied for General Purposes	\$4,764,316	\$4,845,733
Property Taxes Levied for Recreation	18,563	18,023
Property Taxes Levied for Debt Service	959,500	990,532
Property Taxes Levied for Permanent Improvements	60,131	58,243
Grants and Entitlements	2,488,192	2,365,142
Interest	14,922	8,509
Miscellaneous	146,856	136,867
Sale of Capital Assets	8,000	
Refunding Bonds Issued		9,849,991
Premium on Refunding Bonds Issued		1,254,554
Total General Receipts	8,460,480	19,527,594
Total Receipts	10,093,805	21,136,012

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities 2006	Governmental Activities 2005
Disbursements:		
Instruction:		
Regular	4,925,283	4,734,720
Special	472,682	511,490
Vocational	232,874	266,849
Support Services:		
Pupils	277,413	416,588
Instructional Staff	249,854	262,592
Board of Education	34,583	28,265
Administration	626,282	611,352
Fiscal	236,422	243,682
Operation and Maintenance of Plant	974,426	770,393
Pupil Transportation	182,144	154,426
Central	53,570	55,332
Noninstructional Services	267,638	258,536
Extracurricular Activities	372,785	334,460
Capital Outlay	216,380	298,451
Debt Service:		
Principal Retirement	685,000	375,000
Interest and Fiscal Charges	530,274	453,511
Issuance Costs		148,201
Payment to Bond Refunding Escrow Agent		10,956,344
Total Disbursements	10,337,610	20,880,192
Increase (Decrease) in Net Assets	(243,805)	255,820
Net Assets at Beginning of Year	661,534	405,714
Net Assets at End of Year	\$417,729	\$661,534

Program receipts represent 16 percent of total receipts. The majority of the program receipts pertain to the services paid by the Minster Community School during fiscal year 2006.

During fiscal year 2005, the School District refunded a portion of their outstanding general obligation bonds. Other than this exception, general receipts for fiscal year 2006 were comparable to the general receipts in fiscal year 2005.

Likewise, other than the costs associated with the refunding of debt, disbursements for fiscal year 2006 were very comparable to the prior fiscal year. The majority of the changes were related to the negotiated increase in salaries and an increase in principal retirement payments in fiscal year 2006.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
Instruction:				
Regular	\$4,925,283	\$4,734,720	\$3,917,686	\$3,822,515
Special	472,682	511,490	237,584	219,971
Vocational	232,874	266,849	209,337	235,560
Support Services:				
Pupils	277,413	416,588	272,413	416,338
Instructional Staff	249,854	262,592	249,854	262,592
Board of Education	34,583	28,265	34,583	28,265
Administration	626,282	611,352	625,199	611,352
Fiscal	236,422	243,682	236,422	243,682
Operation and Maintenance of Plant	974,426	770,393	974,426	770,393
Pupil Transportation	182,144	154,426	175,476	146,315
Central	53,570	55,332	53,570	41,332
Noninstructional Services	267,638	258,536	45,390	44,332
Extracurricular Activities	372,785	334,460	240,691	197,620
Capital Outlay	216,380	298,451	216,380	298,451
Debt Service:				
Principal Retirement	685,000	375,000	685,000	375,000
Interest and Fiscal Charges	530,274	453,511	530,274	453,511
Issuance Costs		148,201		148,201
Payment to Bond Refunding Escrow Agent		10,956,344		10,956,344
Total Disbursements	<u>\$10,337,610</u>	<u>\$20,880,192</u>	<u>\$8,704,285</u>	<u>\$19,271,774</u>

The most significant activity during fiscal year 2005 was associated with the refinancing of the 2000 school improvement general obligation term bonds. The total costs of debt service were either financed through property taxes levied specifically for the retirement of debt or the issuance of the school improvement refunding general obligation bonds. Again, with the exception of the refunding activity, the total cost and net cost of services fluctuated little from fiscal year 2005.

The most significant program receipts are associated with services provided to the Minster Community School, food service, sport-related, and trip charges that are received to finance these activities. Food service also receives federal and state funds for providing meals to students.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. General Fund receipts exceeded disbursements by \$24,426. The majority of the excess was an advance of the October 2006 tangible personal property tax settlement in June 2006. The School District needed the advance to cover payroll that was due to employees in June.

The Athletics special revenue fund is funded from attendance to sport and musical events sponsored by the School District. Disbursements were 8 percent higher than receipts during fiscal year 2006. Costs associated with this fund stay fairly constant but receipts are subject to the number of home versus away sport activities and how well the teams are performing against their competitors.

The Bond Retirement debt service fund's sole receipts are from voted property taxes that are assessed by the Auglaize County Auditor in an amount sufficient to cover debt service requirements. For 2006, the County Auditor reduced the property tax levy by 1.5 mils.

The School District continues to spend the remaining debt proceeds issued from the 2000 school improvement general obligation bonds that was recorded in the Building capital projects fund for equipment.

General Fund Budgeting Highlights

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

For receipts, changes from the original budget to the final budget and from the final budgeted receipts to actual receipts were not significant. This can also be said for disbursements. The budgetary statement presentation is at the function level. Since the Board of Education budgets the General Fund at the fund and object level, the negative variance amounts presented on the financial statements do not represent violations of budgetary law.

Debt Administration

At June 30, 2006, the School District's outstanding debt included general obligation bonds, in the amount of \$12,159,655, issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 10 to the basic financial statements.

Current Issues

The School District continues to spend carryover cash balances because property taxes and State funding have not been sufficient to cover all expenses. The property taxes collected from the 6.5 mill tax levy passed by the voters in May 2003 did not provide enough funding to cover operational costs due to the loss of tangible personal property valuation in December 2003 of \$5.9 million. The voters passed a five-year .5 percent income tax for general operations in November 2006 to help offset the loss. Collection of the income tax will begin January 1, 2007, and is estimated to generate \$493,000 per fiscal year.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

House Bill 66, the biennial budget of the State, was passed in June 2005 by the State legislature which resulted in significant tax law changes. Under the current budget, tangible personal property tax valuations and related tax revenues will be phased out over the next five years with a replacement mechanism provided by a new Commercial Activity Tax (CAT). The replacement revenue is calculated based upon tangible personal property values for tax year 2004. For tax year 2004, tangible personal valuation represented 31 percent of the School District's total valuation. Taxable inventory will be phased out at an accelerated rate based upon the schedule in place prior to House Bill 66 by 2011. Inventory values for tax year 2004 account for 41 percent of the School District's tangible personal property valuations.

The Board of Education, as the Sponsor of the Minster Community School, has unanimously voted to discontinue the sponsorship of the community school at the end of fiscal year 2006. The School District is in discussions with the Ohio Department of Education on the disposal of the capital assets purchased for the Minster Community School.

All faculty and staff members have negotiated to receive a 0 percent increase on the base salary schedule for fiscal year 2007 and fiscal year 2008.

For fiscal year 2007, the Board of Education has voted to eliminate seven full-time teachers, not replace a principal who has resigned, not replace a retired secretary, not renew six coaching and one advisor supplemental positions, and not renew some extended service days. In addition to these reductions, the School District has agreed to contract with AAA for driver's education instruction.

Request For Information

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

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MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$417,729</u>
Net Assets	
Restricted for:	
Debt Service	252,334
Capital Projects	44,851
Athletics	82,551
Other Purposes	53,105
Setasides	31,038
Unrestricted (Deficit)	<u>(46,150)</u>
Total Net Assets	<u>\$417,729</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$4,925,283	\$972,945	\$34,652	(\$3,917,686)
Special	472,682		235,098	(237,584)
Vocational	232,874		23,537	(209,337)
Support Services:				
Pupils	277,413		5,000	(272,413)
Instructional Staff	249,854			(249,854)
Board of Education	34,583			(34,583)
Administration	626,282		1,083	(625,199)
Fiscal	236,422			(236,422)
Operation and Maintenance of Plant	974,426			(974,426)
Pupil Transportation Central	182,144 53,570		4,445	\$2,223 (175,476) (53,570)
Noninstructional Services	267,638	190,040	32,208	(45,390)
Extracurricular Activities	372,785	117,536	14,558	(240,691)
Capital Outlay	216,380			(216,380)
Debt Service:				
Principal Retirement	685,000			(685,000)
Interest and Fiscal Charges	530,274			(530,274)
Total Governmental Activities	\$10,337,610	\$1,280,521	\$350,581	\$2,223 (8,704,285)

General Receipts

Property Taxes Levied for:	
General Purposes	4,764,316
Recreation	18,563
Debt Service	959,500
Permanent Improvements	60,131
Grants and Entitlements Not Restricted to Specific Programs	2,488,192
Interest	14,922
Miscellaneous	146,856
Sale of Capital Assets	8,000
Total General Receipts	8,460,480
Change in Net Assets	(243,805)
Net Assets at Beginning of Year	661,534
Net Assets at End of Year	\$417,729

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Athletics</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$15,055	\$82,551	\$252,334	\$28,848	(\$14,172)	\$364,616
Restricted Assets						
Equity in Pooled Cash and Cash Equivalents	53,113					53,113
Total Assets	<u>68,168</u>	<u>82,551</u>	<u>252,334</u>	<u>28,848</u>	<u>(14,172)</u>	<u>417,729</u>
Fund Balances						
Reserve for Textbooks	31,038					31,038
Reserved for Bus Purchases	19,741					19,741
Reserved for Encumbrances	45,413	23,229		16,233	2,907	87,782
Reserved for Unclaimed Monies	2,334					2,334
Unreserved, Reported in						
General Fund (Deficit)	(30,358)					(30,358)
Special Revenue Funds (Deficit)		59,322			(32,994)	26,328
Debt Service Fund			252,334			252,334
Capital Projects Funds				12,615	15,915	28,530
Total Fund Balances (Deficit)	<u>\$68,168</u>	<u>\$82,551</u>	<u>\$252,334</u>	<u>\$28,848</u>	<u>(\$14,172)</u>	<u>\$417,729</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Athletics</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts						
Property Taxes	\$4,764,316		\$959,500		\$78,694	\$5,802,510
Intergovernmental	2,453,127		156,150		216,078	2,825,355
Interest	12,387			\$2,535		14,922
Tuition and Fees	77,948					77,948
Charges for Services	856,485				228,552	1,085,037
Extracurricular Activities		\$117,536				117,536
Gifts and Donations		14,558			1,083	15,641
Miscellaneous	134,051	11,488			1,317	146,856
Total Receipts	<u>8,298,314</u>	<u>143,582</u>	<u>1,115,650</u>	<u>2,535</u>	<u>525,724</u>	<u>10,085,805</u>
Disbursements						
Current:						
Instruction:						
Regular	4,903,731				21,552	4,925,283
Special	331,095				141,587	472,682
Vocational	232,874					232,874
Support Services:						
Pupils	277,413					277,413
Instructional Staff	248,164				1,690	249,854
Board of Education	33,212				1,371	34,583
Administration	625,345				937	626,282
Fiscal	213,171		20,909		2,342	236,422
Operation and Maintenance of Plant	970,093				4,333	974,426
Pupil Transportation	182,144					182,144
Central	39,570				14,000	53,570
Noninstructional Services					267,638	267,638
Extracurricular Activities	217,076	155,709				372,785
Capital Outlay				74,397	141,983	216,380
Debt Service:						
Principal Retirement			685,000			685,000
Interest and Fiscal Charges			530,274			530,274
Total Disbursements	<u>8,273,888</u>	<u>155,709</u>	<u>1,236,183</u>	<u>74,397</u>	<u>597,433</u>	<u>10,337,610</u>
Excess of Receipts Over (Under) Disbursements	24,426	(12,127)	(120,533)	(71,862)	(71,709)	(251,805)
Other Financing Sources						
Sale of Capital Assets	8,000					8,000
Changes in Fund Balances	32,426	(12,127)	(120,533)	(71,862)	(71,709)	(243,805)
Fund Balances at Beginning of Year	<u>35,742</u>	<u>94,678</u>	<u>372,867</u>	<u>100,710</u>	<u>57,537</u>	<u>661,534</u>
Fund Balances (Deficit) at End of Year	<u><u>\$68,168</u></u>	<u><u>\$82,551</u></u>	<u><u>\$252,334</u></u>	<u><u>\$28,848</u></u>	<u><u>(\$14,172)</u></u>	<u><u>\$417,729</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$4,997,825	\$4,764,316	\$4,764,316	
Intergovernmental	2,292,912	2,454,605	2,453,127	(\$1,478)
Interest	11,116	11,900	12,387	487
Tuition and Fees	73,049	78,200	77,948	(252)
Charges for Services	800,065	856,485	856,485	
Miscellaneous	122,079	130,688	134,051	3,363
Total Receipts	<u>8,297,046</u>	<u>8,296,194</u>	<u>8,298,314</u>	<u>2,120</u>
Disbursements				
Current:				
Instruction:				
Regular	4,759,767	4,792,712	4,933,178	(140,466)
Special	371,967	371,967	331,095	40,872
Vocational	232,433	232,433	233,474	(1,041)
Support Services:				
Pupils	294,864	288,424	277,413	11,011
Instructional Staff	261,395	261,395	248,597	12,798
Board of Education	32,657	32,657	33,685	(1,028)
Administration	648,763	648,763	626,367	22,396
Fiscal	215,106	218,281	213,188	5,093
Operation and Maintenance of Plant	1,088,597	1,046,963	981,489	65,474
Pupil Transportation	173,680	173,680	184,169	(10,489)
Central	45,834	45,834	39,570	6,264
Extracurricular Activities	207,134	207,134	217,076	(9,942)
Total Disbursements	<u>8,332,197</u>	<u>8,320,243</u>	<u>8,319,301</u>	<u>942</u>
Excess of Receipts Under Disbursements	(35,151)	(24,049)	(20,987)	3,062
Other Financing Sources				
Sale of Capital Assets	200	8,000	8,000	
Changes in Fund Balance	(34,951)	(16,049)	(12,987)	3,062
Fund Balance (Deficit) at Beginning of Year	(38,266)	(38,266)	(38,266)	
Prior Year Encumbrances Appropriated	74,008	74,008	74,008	
Fund Balance (Deficit) at End of Year	<u><u>\$791</u></u>	<u><u>\$19,693</u></u>	<u><u>\$22,755</u></u>	<u><u>\$3,062</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
ATHLETICS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Extracurricular Activities	\$130,815	\$130,815	\$117,536	(\$13,279)
Gifts and Donations	7,195	7,195	14,558	7,363
Miscellaneous	10,505	10,505	11,488	983
Total Receipts	148,515	148,515	143,582	(4,933)
Disbursements				
Current:				
Extracurricular Activities	138,224	179,994	178,938	1,056
Changes in Fund Balance	10,291	(31,479)	(35,356)	(3,877)
Fund Balance at Beginning of Year	81,603	81,603	81,603	
Prior Year Encumbrances Appropriated	13,075	13,075	13,075	
Fund Balance at End of Year	\$104,969	\$63,199	\$59,322	(\$3,877)

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,582	\$53,004
Cash and Cash Equivalents in Segregated Accounts		7,808
Total Assets	10,582	60,812
Net Assets		
Undistributed Assets		7,808
Held for Students		53,004
Endowments	10,000	
Held in Trust for Scholarships	582	
Total Net Assets	\$10,582	\$60,812

See accompanying notes to the basic financial statements.

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
CASH BASIS - FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
Additions	
Interest	\$233
Gifts and Donations	<u>4,326</u>
Total Receipts	4,559
Deductions	
Noninstructional Services	<u>4,819</u>
Change in Net Assets	(260)
Net Assets at Beginning of Year	<u>10,842</u>
Net Assets at End of Year	<u><u>\$10,582</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. 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 523rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-nine classified employees, sixty-six certified teaching personnel, and five administrative employees who provide services to 849 students and other community members. The School District currently operates three school buildings.

A. Reporting Entity

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

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.

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

Condensed financial information for Minster Community School (MCS), a legally separate component unit, is presented in Note 14 to the basic financial statements.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. **Governmental Funds** - The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund, Athletics special revenue fund, Bond Retirement debt service fund, and Building capital projects 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.

Athletics Fund - The Athletics special revenue fund accounts for gate receipts and other revenues from athletic events and all costs (except supplemental coaching contracts) of the School District's athletic program.

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

Building Fund - The Building capital projects fund is used to account for the debt proceeds and interest earnings used for construction of a classroom wing at the high school and a new middle school.

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

2. **Fiduciary Funds** - The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs.

The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities and employee withholdings.

C. Basis of Accounting

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

During fiscal year 2006, the School District's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 was \$12,387, which includes \$10,336 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks; unexpended resources restricted for other purposes include the purchase of school buses and unclaimed monies.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2006.

K. Fund Balance Reserves

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2006 the Food Service and Title IIA special revenue funds had deficit fund balances, in the amount of \$59,947 and \$1,258, respectively, resulting from negative cash balances.

B. Compliance

The Food Service special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$57,326. For fiscal year 2006, the School District reduced staffing and implemented a point of sale system. The School District plans to increase the price of lunches in fiscal year 2008 to begin alleviating the deficit.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Cash on Hand - At June 30, 2006, the School District had \$6,265 in cash on hand.

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of deposits was \$482,858 and the bank balance was \$521,068. Of the bank balance, \$368,560 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State 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.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value. Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out.

The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize, Darke, Mercer, and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$95,986,920	69.27%	\$100,467,960	74.82%
Public Utility	1,570,600	1.13%	1,472,040	1.10%
Tangible Personal	41,007,068	29.60%	32,328,610	24.08%
Total Assessed Value	\$138,564,588	100.00%	\$134,268,610	100.00%
Tax rate per \$1,000 of assessed valuation	\$53.47		\$52.17	

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. 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 2006, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	5,000,000
Excess Liability	3,000,000
Building and Contents	28,572,027

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 2006, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was \$517,743, \$511,998, and \$476,906, respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$125 made by the School District and \$803 made by plan members.

B. School Employees Retirement System

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was \$73,215, \$71,993, and \$59,567, respectively; 44 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$39,836.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$34,185 for fiscal year 2006.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

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

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

Employees meeting the requirements shall receive an amount equal to one day of severance pay for each year of service to the School District, not to exceed thirty days. The School District will pay the incentive in a one time lump sum payment within sixty days after all of the eligibility criteria are satisfied. The School District did not have an outstanding liability for separation benefits at June 30, 2006.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

Governmental Activities	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06	Amounts Due Within One Year
General Obligations Bonds					
2000 School Improvement					
Serial Bonds 4.40 - 4.90%	\$2,665,000	\$0	\$390,000	\$2,275,000	\$410,000
Capital Appreciation Bonds	329,664	0	0	329,664	0
Total 2000 School Improvement					
Bonds	2,994,664	0	390,000	2,604,664	410,000
2005 School Improvement					
Refunding Bonds					
Serial Bonds 3.00 - 4.50%	4,910,000	0	295,000	4,615,000	130,000
Term Bonds 4.25 - 4.50%	4,850,000	0	0	4,850,000	0
Capital Appreciation Bonds	89,991	0	0	89,991	0
Total 2005 School Improvement					
Refunding Bonds	9,849,991	0	295,000	9,554,991	130,000
Total Governmental Activities					
Long-Term Obligations	\$12,844,655	\$0	\$685,000	\$12,159,655	\$540,000

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

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

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

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

2005 Refunding School Improvement General Obligation Bonds - On April 13, 2005, the School District issued \$9,849,991 in general obligation bonds to refund \$9,850,000 in term bonds of the 2000 School Improvement general obligation bonds. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$4,910,000, \$4,850,000, and \$89,991, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2028. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. As of June 30, 2006, \$9,554,991 of the refunded bonds was still outstanding.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

The School District's overall debt margin was (\$3,117,248) with an unvoted debt margin of \$100,471 at June 30, 2006. On April 5, 1999, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
Ending				
2007	\$540,000	\$292,616	\$0	\$212,581
2008	565,000	268,792	0	212,581
2009	590,000	243,480	0	212,581
2010	615,000	216,470	0	212,581
2011	665,000	187,293	0	212,582
2012-2016	315,000	813,094	0	1,062,906
2017-2021	705,000	726,281	1,460,000	1,001,494
2022-2026	945,000	630,113	3,390,000	312,272
2027-2028	1,950,000	87,075	0	0
Totals	\$6,890,000	\$3,465,214	\$4,850,000	\$3,439,578

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year</u> <u>Ending</u>	<u>General Obligation Bonds</u>	
	<u>Capital Appreciation</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$0	\$0
2008	0	0
2009	0	0
2010	0	0
2011	0	0
2012-2016	381,227	2,753,773
2017-2019	38,428	1,411,572
Totals	<u>\$419,655</u>	<u>\$4,165,345</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.

11. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2005	\$20,381	(\$13,604,300)
Current Year Set Aside Requirement	116,306	116,306
Current Year Offsets	0	(60,132)
Qualifying Expenditures	(105,649)	0
Balance June 30, 2006	<u>\$31,038</u>	<u>(\$13,548,126)</u>
Amount Carried Forward to Fiscal Year 2007	<u>\$31,038</u>	<u>(\$13,548,126)</u>

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

12. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Local Professional Development Committee

The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district, and the project coordinator.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan that will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue #2, Wapakoneta, Ohio 45895.

B. Northwest Ohio Regional Professional Development Center

The Northwest Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

C. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326.

D. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2006, the School District paid \$41,572 to WOCO for various services. Financial information can be obtained from the Shelby County Education Service Center, 129 East Court Street, Sidney, Ohio 45365.

E. 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.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

F. Auglaize County Special Needs School

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

13. INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from the Hylant Group, Inc., 811 Madison Avenue, 11th Floor, Toledo, Ohio 43603.

B. Mercer Auglaize School Employee Benefit Trust

The School District participates in a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Mercer Auglaize Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and prescription drug benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. MINSTER COMMUNITY SCHOOL

The School District sponsored a conversion school. All of the funds of the conversion school are accounted for in a single fund on the full accrual basis of accounting. Unaudited financial information for Minster Community School (MCS) is presented below:

Statement of Net Assets

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,064
Intergovernmental Receivable	25,906
Non-Current Assets:	
Capital Assets, Net	45,333
Total Assets	<u>75,303</u>
Net Assets:	
Invested in Capital Assets	45,333
Unrestricted	29,970
Total Net Assets	<u>\$75,303</u>

Statement of Revenues, Expenses, and Change in Net Assets

Operating Revenues:	
Foundation	<u>\$802,744</u>
Operating Expenses:	
Purchased Services	897,809
Materials and Supplies	60
Depreciation	14,148
Total Operating Expenses	<u>912,017</u>
Operating Loss	(109,273)
Non-Operating Revenues:	
Operating Grants	<u>5,000</u>
Change in Net Assets	(104,273)
Net Assets at Beginning of Year	<u>179,576</u>
Net Assets at End of Year	<u>\$75,303</u>

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:	
Cash Received from Foundation	\$802,744
Cash Payments for Services	(897,809)
Cash Payments for Other Expenses	(60)
Net Cash Used for Operating Activities	<u>(95,125)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	104,094
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	<u>(4,905)</u>
Net Increase in Cash and Cash Equivalents	4,064
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	<u>\$4,064</u>
Reconciliation of Operating Loss To Net Cash	
Operating Loss	(\$109,273)
Depreciation	14,148
Net Cash Used for Operating Activities	<u>(\$95,125)</u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. MINSTER COMMUNITY SCHOOL (Continued)

Noncash Noncapital Financing Activities - During fiscal year 2006, MCS recorded revenue for operating grants, in the amount of \$25,906; however, the cash will be received in fiscal year 2007.

A. Basis of Presentation

MCS's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

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

B. Deposits

At fiscal year end, the carrying amount of the MCS's deposits and the bank balance was \$4,064. The entire bank balance was covered by federal depository insurance.

C. Intergovernmental Receivable

Receivables at June 30, 2006, consisted of an intergovernmental receivable arising from grants, in the amount of \$25,906. The receivable is considered collectible in full and within one year.

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Depreciable Capital Assets				
Furniture and Equipment	\$63,369	\$4,905	\$0	\$68,274
Less Accumulated Depreciation	(8,793)	(14,148)	0	(22,941)
Capital Assets, Net	<u>\$54,576</u>	<u>(\$9,243)</u>	<u>\$0</u>	<u>\$45,333</u>

E. Related Party Transactions

In fiscal year 2006, purchased services were obtained from the Minster Local School District by MCS, in the amount of \$897,809. The purchased services consisted of the following activities:

<u>Service</u>	<u>Amount</u>
Salaries	\$582,500
Fringe Benefits	169,032
Purchased Services	58,322
Supplies	87,955
Total	<u>\$897,809</u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. 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, 2006.

B. Litigation

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

16. SUBSEQUENT EVENT

The voters passed a five-year .5 percent income tax for general operations in November 2006. Collection of the income tax will begin January 1, 2007.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

The discussion and analysis of Minster Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Highlights for fiscal year 2005 are as follows:

- The General Fund received an advance of tangible property tax for the October 2005 settlement, in the amount of \$255,000, to meet June 2005 expenditures.
- Student enrollment continues to decline resulting in losses of State revenue. The School District received an increase in basic aid due to changes in recognized property valuations and an increase in the per pupil amount funding.
- In fiscal year 2005, Minster Community School began accepting enrollments. Minster Local School District provided contracted services to the community school such as teachers, administration, classroom space, and instructional materials and equipment. The School District paid through State foundation deductions for students enrolled in the community school, in the amount of \$661,065. The School District received payments from the community school for purchased services, in the amount of \$808,147.
- There was an increase on the October 2004 tangible property tax settlement due to the passage of the 6.5 mill operating levy in May 2003.
- The PPO health care costs did not increase in January 2005. Employees began paying 3 percent of the insurance premiums beginning in July 2004 and will pay 5 percent beginning in July 2005.

Using This Annual Report

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting The School District's Most Significant Funds

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004:

	Table 1 Net Assets	
	Governmental Activities	
	2005	2004
Assets:		
Cash and Cash Equivalents	\$661,534	\$405,714
Net Assets:		
Restricted	701,255	706,963
Unrestricted (Deficit)	(39,719)	(301,249)
Total Net Assets	\$661,534	\$405,714

Total net assets increased \$255,820, or 63 percent. The primary reasons contributing to the increase in cash balances are as follows:

- The School District requested an advance on their October 2005 tangible personal property tax settlement in June 2005, in the amount of \$255,000.
- Restricted net assets decreased as the School District purchased additional equipment from remaining debt proceeds issued for the construction of the middle school.

Table 2 reflects the changes in net assets for fiscal year 2005. Since the School District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

	Table 2 Change in Net Assets
	Governmental Activities 2005
Receipts:	
Program Receipts	
Charges for Services	\$1,172,148
Operating Grants and Contributions	424,347
Capital Grants and Contributions	11,923
Total Program Receipts	1,608,418
General Receipts	
Property Taxes Levied for General Purposes	4,845,733
Property Taxes Levied for Recreation	18,023
Property Taxes Levied for Debt Service	990,532
Property Taxes Levied for Permanent Improvements	58,243

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities 2005
Receipts:	
Grants and Entitlements	2,365,142
Interest	8,509
Miscellaneous	136,867
Refunding Bonds Issued	9,849,991
Premium on Refunding Bonds Issued	1,254,554
Total General Receipts	19,527,594
Total Receipts	21,136,012
Disbursements:	
Instruction:	
Regular	4,734,720
Special	511,490
Vocational	266,849
Support Services:	
Pupils	416,588
Instructional Staff	262,592
Board of Education	28,265
Administration	611,352
Fiscal	243,682
Operation and Maintenance of Plant	770,393
Pupil Transportation	154,426
Central	55,332
Noninstructional Services	258,536
Extracurricular Activities	334,460
Capital Outlay	298,451
Debt Service:	
Principal Retirement	375,000
Interest and Fiscal Charges	453,511
Issuance Costs	148,201
Payment to Bond Refunding Escrow Agent	10,956,344
Total Disbursements	20,880,192
Increase in Net Assets	\$255,820

The most significant resource during fiscal year 2005 was from the issuance of the refunding general obligation bonds. Total receipts, in the amount of \$11,104,545, resulted from the issuance of bonds, including premiums. These resources were 52 percent of total receipts.

Program receipts represent 8 percent of total receipts. The majority of program receipts were received from the Minster Community School for services provided by the School District. Other program receipts consisted of restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

General receipts represent 92 percent of the School District's total receipts. Of this amount, 30 percent pertained to property tax receipts and 12 percent was the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Other receipts, such as interest and miscellaneous receipts are very insignificant and somewhat unpredictable receipt sources.

The most significant disbursement for governmental activities was for the payment of debt, including the refunding of the 2000 school improvement general obligation term bonds. These disbursements, in the amount of \$11,104,545, represented 53 percent of all governmental disbursements. The instruction program disbursements were 26 percent of all governmental disbursements.

Other programs which support the instruction process including pupils, instructional staff, pupil transportation, and central account for approximately 4 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 4 percent of program costs.

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

**Table 3
Governmental Activities**

	Total Cost Of Services	Net Cost Of Services
	2005	2005
Instruction:		
Regular	\$4,734,720	\$3,822,515
Special	511,490	219,971
Vocational	266,849	235,560
Support Services:		
Pupils	416,588	416,338
Instructional Staff	262,592	262,592
Board of Education	28,265	28,265
Administration	611,352	611,352
Fiscal	243,682	243,682
Operation and Maintenance of Plant	770,393	770,393
Pupil Transportation	154,426	146,315
Central	55,332	41,332
Noninstructional Services	258,536	44,332
Extracurricular Activities	334,460	197,620
Capital Outlay	298,451	298,451
Debt Service:		
Principal Retirement	375,000	375,000
Interest and Fiscal Charges	453,511	453,511
Issuance Costs	148,201	148,201
Payment to Bond Refunding Escrow Agent	10,956,344	10,956,344
Total Disbursements	\$20,880,192	\$19,271,774

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

The most significant activity during fiscal year 2005 was associated with the refinancing of the 2000 school improvement general obligation term bonds. The total costs of debt service was either financed through property taxes levied specifically for the retirement of debt or the issuance of the school improvement refunding general obligation bonds.

The balance of disbursements was \$8,947,136 in total cost of services and \$7,338,718 in net cost of services. These balances indicate that 18 percent of the cost of services is financed through user charges and grants awarded for specific programs. The remaining 82 percent of total cost of services is financed through property taxes and nonspecified grants and entitlements.

The most significant program receipts are associated with services provided to the Minster Community School, food service, sport-related, and trip charges that are received to finance these activities. Food service also receives federal and state funds for providing meals to students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. General Fund receipts exceeded disbursements by \$256,532. The majority of the excess was \$255,000 received in June 2005 on an advance of the October 2005 tangible personal property tax settlement. The School District needed the advance to cover payroll that was due to employees the first week of July 2005.

The Bond Retirement debt service fund's sole receipts are from voted property taxes that are assessed by the Auglaize County Auditor in an amount sufficient to cover debt service requirements. During 2005, the School District refunded the term bonds of the 2000 school improvement general obligation bonds in order to reduce the total cash flows relating to the repayment of future debt.

The School District continues to spend the remaining debt proceeds issued from the 2000 school improvement general obligation bonds for equipment that was recorded in the Building capital projects fund.

General Fund Budgeting Highlights

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

During fiscal year 2005, the School District amended its General Fund budget as needed. Final budgeted receipts increased \$1,265,184 from original budgeted receipts. Actual receipts were \$92,445 less than the final estimated resources.

Final disbursements were budgeted at \$8,203,559 which was a slight increase over the original appropriations of \$7,873,362. Actual disbursements were \$8,073,122, which was \$130,437 greater than the final appropriations.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Debt Administration

During fiscal year 2005, the School District refunded \$9,850,000 in school improvement general obligation bonds by issuing school improvement refunding general obligation bonds, in the amount of \$9,849,991. At June 30, 2005, the School District's outstanding debt included general obligation bonds, in the amount of \$12,844,655, issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

Current Issues

The School District continues to spend carryover cash balances because property taxes and State funding have not been sufficient to cover all expenses. The property taxes collected from the 6.5 mill tax levy passed by the voters in May 2003 did not provide enough funding to cover operational costs.

House Bill 66, the biennial budget of the State, was passed in June 2005 by the State legislature which resulted in significant tax law changes. Under the current budget, tangible personal property tax valuations and related tax revenues will be phased out over the next five years with a replacement mechanism provided by a new Commercial Activity Tax (CAT). The replacement revenue is calculated based upon tangible personal property values for tax year 2004. Although values are being phased out from 25 percent assessed valuation to 23 percent valuation beginning in tax year 2006, the State will reimburse at 33 percent to account for new machinery and equipment that might have come into service in tax year 2005 which would not be included in tax filings. For tax year 2004, tangible personal valuation represents 31 percent of the School District's total valuation. Taxable inventory will continue to be phased out at an accelerated rate based upon the schedule in place prior to House Bill 66 (2 percent per year but completely phased out by 2011). Inventory values for tax year 2004 account for 41 percent of the School District's tangible personal property valuations.

The Board of Education, as the Sponsor of the Minster Community School, has unanimously voted to discontinue the sponsorship of the community school at the end of fiscal year 2006.

For fiscal year 2007, the Board of Education has voted to eliminate seven full-time teachers, not replace a principal who has resigned, not replace a retired secretary, not renew six coaching and one advisor supplemental positions, and not renew some extended service days. In addition to these reductions, the School District has agreed to contract with AAA for driver's education instruction.

Request For Information

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

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MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$661,534</u>
Net Assets	
Restricted for:	
Debt Service	372,867
Capital Projects	156,556
Athletics	94,678
Other Purposes	56,771
Setasides	20,381
Unrestricted (Deficit)	<u>(39,719)</u>
Total Net Assets	<u>\$661,534</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Cash Receipts			Net	
	Disbursements	Charges for Services	Operating Grants and Contributions	(Disbursements) Receipts and Change in Net Assets	
Governmental Activities			Capital Grants and Contributions	Governmental Activities	
Instruction:					
Regular	\$4,734,720	\$866,110	\$38,035	\$8,060	(\$3,822,515)
Special	511,490		291,519		(219,971)
Vocational	266,849		31,289		(235,560)
Support Services:					
Pupils	416,588		250		(416,338)
Instructional Staff	262,592				(262,592)
Board of Education	28,265				(28,265)
Administration	611,352				(611,352)
Fiscal	243,682				(243,682)
Operation and Maintenance of Plant	770,393				(770,393)
Pupil Transportation	154,426		4,248	3,863	(146,315)
Central	55,332		14,000		(41,332)
Noninstructional Services	258,536	175,996	38,208		(44,332)
Extracurricular Activities	334,460	130,042	6,798		(197,620)
Capital Outlay	298,451				(298,451)
Debt Service:					
Principal Retirement	375,000				(375,000)
Interest and Fiscal Charges	453,511				(453,511)
Issuance Costs	148,201				(148,201)
Payment to Bond Refunding Escrow Agent	10,956,344				(10,956,344)
Total Governmental Activities	\$20,880,192	\$1,172,148	\$424,347	\$11,923	(19,271,774)
		General Receipts			
		Property Taxes Levied for:			
				4,845,733	
				18,023	
				990,532	
				58,243	
		Grants and Entitlements Not			
				2,365,142	
				8,509	
				136,867	
				9,849,991	
				1,254,554	
				19,527,594	
					255,820
					405,714
					\$661,534

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Athletics</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total</u>
Assets						
Equity in Pooled Cash and Cash Equivalents		\$94,678	\$372,867	\$100,710	\$57,537	\$625,792
Restricted Assets						
Equity in Pooled Cash and Cash Equivalents	35,742					35,742
Total Assets	<u>35,742</u>	<u>94,678</u>	<u>372,867</u>	<u>100,710</u>	<u>57,537</u>	<u>661,534</u>
Fund Balances						
Reserve for Textbooks	20,381					20,381
Reserved for Bus Purchases	17,518					17,518
Reserved for Encumbrances	74,008	13,075		2,050	59,496	148,629
Unreserved, Reported in						
General Fund (Deficit)	(76,165)					(76,165)
Special Revenue Funds (Deficit)		81,603			(1,519)	80,084
Debt Service Fund			372,867			372,867
Capital Projects Funds				98,660	(440)	98,220
Total Fund Balances	<u>\$35,742</u>	<u>\$94,678</u>	<u>\$372,867</u>	<u>\$100,710</u>	<u>\$57,537</u>	<u>\$661,534</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Athletics</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts						
Property Taxes	\$4,845,733		\$990,532		\$76,266	\$5,912,531
Intergovernmental	2,411,231		90,294		291,814	2,793,339
Interest	6,642			1,867		8,509
Tuition and Fees	57,963					57,963
Charges for Services	808,147				175,996	984,143
Extracurricular Activities		130,042				130,042
Gifts and Donations	775	6,798		500		8,073
Miscellaneous	125,155	208		8,319	3,185	136,867
Total Receipts	<u>8,255,646</u>	<u>137,048</u>	<u>1,080,826</u>	<u>10,686</u>	<u>547,261</u>	<u>10,031,467</u>
Disbursements						
Current:						
Instruction:						
Regular	4,678,639				56,081	4,734,720
Special	321,013				190,477	511,490
Vocational	266,312				537	266,849
Support Services:						
Pupils	416,588					416,588
Instructional Staff	253,977				8,615	262,592
Board of Education	26,059				2,206	28,265
Administration	610,376				976	611,352
Fiscal	219,723		22,193		1,766	243,682
Operation and Maintenance of Plant	765,106				5,287	770,393
Pupil Transportation	154,426					154,426
Central	41,332				14,000	55,332
Noninstructional Services					258,536	258,536
Extracurricular Activities	217,505	116,955				334,460
Capital Outlay	28,058			190,364	80,029	298,451
Debt Service:						
Principal Retirement			375,000			375,000
Interest and Fiscal Charges			453,511			453,511
Issuance Costs			148,201			148,201
Total Disbursements	<u>7,999,114</u>	<u>116,955</u>	<u>998,905</u>	<u>190,364</u>	<u>618,510</u>	<u>9,923,848</u>
Excess of Receipts Over (Under) Disbursements	256,532	20,093	81,921	(179,678)	(71,249)	107,619
Other Financing Sources (Uses)						
Refunding Bonds Issued			9,849,991			9,849,991
Premium on Refunding Bonds Issued			1,254,554			1,254,554
Payment to Refunding Escrow Agent			(10,956,344)			(10,956,344)
Total Other Financing Sources (Uses)			<u>148,201</u>			<u>148,201</u>
Changes in Fund Balances	256,532	20,093	230,122	(179,678)	(71,249)	255,820
Fund Balances (Deficit) at Beginning of Year	<u>(220,790)</u>	<u>74,585</u>	<u>142,745</u>	<u>280,388</u>	<u>128,786</u>	<u>405,714</u>
Fund Balances at End of Year	<u>\$35,742</u>	<u>\$94,678</u>	<u>\$372,867</u>	<u>\$100,710</u>	<u>\$57,537</u>	<u>\$661,534</u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Receipts				
Property Taxes	\$4,920,209	\$5,175,209	\$4,845,733	(\$329,476)
Intergovernmental	1,562,740	2,285,082	2,411,231	126,149
Interest	2,576	3,812	6,642	2,830
Tuition and Fees	37,563	55,584	57,963	2,379
Charges for Services	484,648	717,168	808,147	90,979
Gifts and Donations	322	477	775	298
Miscellaneous	74,849	110,759	125,155	14,396
Total Receipts	<u>7,082,907</u>	<u>8,348,091</u>	<u>8,255,646</u>	<u>(92,445)</u>
Disbursements				
Current:				
Instruction:				
Regular	4,654,520	4,782,246	4,699,885	82,361
Special	321,012	329,244	321,013	8,231
Vocational	240,977	270,430	266,377	4,053
Support Services:				
Pupils	420,246	422,723	416,999	5,724
Instructional Staff	252,278	257,969	254,056	3,913
Board of Education	28,073	30,648	29,233	1,415
Administration	584,115	617,004	612,565	4,439
Fiscal	213,991	221,738	219,930	1,808
Operation and Maintenance of Plant	738,004	833,842	799,806	34,036
Pupil Transportation	143,515	150,409	166,318	(15,909)
Central	40,578	41,458	41,377	81
Extracurricular Activities	213,818	217,328	217,505	(177)
Capital Outlay	22,235	28,520	28,058	462
Total Disbursements	<u>7,873,362</u>	<u>8,203,559</u>	<u>8,073,122</u>	<u>130,437</u>
Changes in Fund Balance	(790,455)	144,532	182,524	37,992
Fund Balance (Deficit) at Beginning of Year	(263,995)	(263,995)	(263,995)	
Prior Year Encumbrances Appropriated	43,205	43,205	43,205	
Fund Balance (Deficit) at End of Year	<u><u>(\$1,011,245)</u></u>	<u><u>(\$76,258)</u></u>	<u><u>(\$38,266)</u></u>	<u><u>\$37,992</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
ATHLETICS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Receipts				
Interest	\$50	\$50		(\$50)
Extracurricular Activities	93,310	93,310	\$130,042	36,732
Gifts and Donations	3,850	3,850	6,798	2,948
Miscellaneous	12,000	12,000	208	(11,792)
Total Receipts	109,210	109,210	137,048	27,838
Disbursements				
Current:				
Extracurricular Activities	139,077	139,731	130,030	9,701
Changes in Fund Balance	(29,867)	(30,521)	7,018	37,539
Fund Balance at Beginning of Year	60,743	60,743	60,743	
Prior Year Encumbrances Appropriated	13,842	13,842	13,842	
Fund Balance at End of Year	\$44,718	\$44,064	\$81,603	\$37,539

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2005**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,842	\$34,363
Cash and Cash Equivalents in Segregated Accounts		5,113
Total Assets	10,842	39,476
Net Assets		
Undistributed Assets		5,113
Held for Students		34,363
Endowments	10,000	
Held in Trust for Scholarships	842	
Total Net Assets	\$10,842	\$39,476

See accompanying notes to the basic financial statements.

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust</u>
Additions	
Interest	\$93
Gifts and Donations	<u>3,033</u>
Total Receipts	3,126
Deductions	
Noninstructional Services	<u>3,458</u>
Change in Net Assets	(332)
Net Assets at Beginning of Year	<u>11,174</u>
Net Assets at End of Year	<u><u>\$10,842</u></u>

See accompanying notes to the basic financial statements.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately thirty-one square miles. It is located in Auglaize and Shelby Counties. The School District is the 523rd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-two classified employees, sixty-seven certified teaching personnel, and five administrative employees who provide services to 873 students and other community members. The School District currently operates three school buildings.

A. Reporting Entity

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

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.

Condensed financial information for Minster Community School (MCS), a legally separate component unit, is presented in Note 15 to the basic financial statements.

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

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

B. Fund Accounting

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

Athletics Fund - The Athletics special revenue fund accounts for gate receipts and other revenues from athletic events and all costs (except supplemental coaching contracts) of the School District's athletic program.

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

Building Fund - The Building capital projects fund is used to account for the debt proceeds and interest earnings used for construction of a classroom wing at the high school and a new middle school.

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

2. Fiduciary Funds

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

C. Basis of Accounting

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the summary of levy funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The summary of levy funds provides the budget commission information on the estimated receipts and expenses for those funds that receive property tax revenues.

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board.

The legal level of control selected by the Board is the fund and object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function level for the General Fund and the function and object level for all other funds are made by the Treasurer.

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

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

E. Cash and Investments

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

During fiscal year 2005, the School District's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$6,642, which includes \$4,256 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

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

Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and unexpended resources restricted for the purchase of school buses. For fiscal year 2005, the School District's required reserves exceeded the available cash balance in the General Fund; therefore, restricted assets were recorded in the General Fund only to the extent available.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and federal and state grants restricted to expenditure for specified purposes. The School District did not have any net assets restricted by enabling legislation at June 30, 2005.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

For fiscal year 2005, the School District changed its method of accounting for financial reporting from a basis of accounting formerly prescribed for school districts by the Auditor of State to a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred.

The financial statements now include government-wide financial statements presented on a cash basis and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the governmental fund balances for governmental funds at June 30, 2004.

During fiscal year 2005, the food service and recreation enterprise funds were reclassified to special revenue funds and are considered nonmajor funds. The uniform school supply enterprise fund and the rotary internal service fund were reclassified to the General fund. These changes reduced proprietary fund net assets to \$0. The effect on the fund balance of governmental funds was as follows:

	Bond					Total
	General	Retirement	Athletics	Building	Non-major	
Fund Balance – June 30, 2004	(\$240,394)	\$142,745	\$74,585	\$280,388	\$98,413	\$355,737
Fund Reclassifications	19,604				30,373	49,977
Adjusted Fund Balance						
Governmental Funds	<u>(\$220,790)</u>	<u>\$142,745</u>	<u>\$74,585</u>	<u>\$280,388</u>	<u>\$128,786</u>	<u>\$405,714</u>

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Food Service special revenue fund had a deficit fund balance, in the amount of \$37,559, resulting from negative cash balances.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

For the fiscal year ended June 30, 2005, the following funds had final appropriations in excess of estimated resources plus available balances:

<u>Fund Type/Fund</u>	<u>Amount</u>
General Fund	\$76,258
Special Revenue Funds	
Food Service	32,796

The General Fund had original appropriations in excess of estimated resources plus available balances in the amount of \$1,011,245.

At June 30, 2005, the Food Service special revenue fund had a deficit cash balance, in the amount of \$37,559.

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Cash on Hand - At June 30, 2006, the School District had \$6,265 in cash on hand.

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At fiscal year end, the carrying amount of deposits was \$705,587 and the bank balance was \$753,770. Of the bank balance, \$534,032 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State 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.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004.

Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$93,579,760	68.32%	\$95,986,920	69.27%
Public Utility	1,663,310	1.21%	1,570,600	1.13%
Tangible Personal	41,734,597	30.47%	41,007,068	29.60%
Total Assessed Value	<u>\$136,977,667</u>	<u>100.00%</u>	<u>\$138,564,588</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$53.47		\$53.47	

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Automobile Liability	2,000,000
Excess Liability	3,000,000
Building and Contents	29,217,604

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

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

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

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$511,998, \$476,906, and \$461,112, respectively; 82 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$280 made by the School District and \$400 made by plan members.

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 was \$71,993, \$59,567, and \$45,432, respectively; 42 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$39,406.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$36,984 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

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

C. Special Termination Benefit

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

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

Employees meeting the requirements shall receive an amount equal to one day of severance pay for each year of service to the School District, not to exceed thirty days. The School District will pay the incentive in a one time lump sum payment within sixty days after all of the eligibility criteria are satisfied. The School District did not have an outstanding liability for special termination benefits at June 30, 2005.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

Governmental Activities	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Amounts Due Within One Year
General Obligations Bonds					
2000 School Improvement					
Serial Bonds 4.40 - 4.90%	\$3,040,000	\$0	\$375,000	\$2,665,000	\$390,000
Term Bonds 5.50 - 5.75%	9,850,000		9,850,000		
Capital Appreciation Bonds	329,664			329,664	
Total 2000 School Improvement Bonds	<u>13,219,664</u>		<u>10,225,000</u>	<u>2,994,664</u>	<u>390,000</u>
2005 School Improvement Refunding					
Serial Bonds 3.00 - 4.50%		4,910,000		4,910,000	295,000
Term Bonds 4.25 - 4.50%		4,850,000		4,850,000	
Capital Appreciation Bonds		89,991		89,991	
Total 2005 School Improvement Refunding Bonds		<u>9,849,991</u>		<u>9,849,991</u>	<u>295,000</u>
Total Governmental Activities Long-Term Obligations	<u>\$13,219,664</u>	<u>\$9,849,991</u>	<u>\$10,225,000</u>	<u>\$12,844,655</u>	<u>\$685,000</u>

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

2005 Refunding School Improvement General Obligation Bonds - On April 13, 2005, the School District issued \$9,849,991 in general obligation bonds to refund \$9,850,000 in term bonds of the 2000 school improvement general obligation bonds. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$4,910,000, \$4,850,000, and \$89,991, respectively. The bonds were also issued at a premium of \$1,254,554.

The net proceeds of \$10,956,344 (after payment of \$148,201 in underwriting fees, insurance, and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$9,850,000 of the 2000 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the School District's long-term obligations.

Although the refunding resulted in the recognition of an accounting loss, in the amount of \$1,106,344; the School District lowered its aggregated debt service payments by \$435,552 over the next twenty-three years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$268,741. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy.

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

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

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

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

The School District's overall debt margin was (\$373,842) with an unvoted debt margin of \$138,565 at June 30, 2005. On April 5, 1999, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year	General Obligation Bonds				
	Ending	Serial		Term	
		Principal	Interest	Principal	Interest
2006	\$685,000	\$317,693	\$0	\$212,581	
2007	540,000	292,616	0	212,582	
2008	565,000	268,792	0	212,581	
2009	590,000	243,480	0	212,582	
2010	615,000	216,470	0	212,581	
2011-2015	980,000	840,149	0	1,062,906	
2016-2020	705,000	756,244	715,000	1,047,713	
2021-2025	0	651,375	4,135,000	478,634	
2026-2028	2,895,000	196,087	0	0	
Totals	\$7,575,000	\$3,782,906	\$4,850,000	\$3,652,160	

Fiscal Year	General Obligation Bonds	
	Capital Appreciation	
	Principal	Interest
Ending		
2006	\$0	\$0
2007	0	0
2008	0	0
2009	0	0
2010	0	0
2011-2015	351,299	2,063,701
2016-2017	68,356	2,101,644
Totals	\$419,655	\$4,165,345

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

12. SET ASIDES

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

For fiscal year 2005, the School District's set aside for textbooks exceeded the cash balance in the General Fund.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. SET ASIDES (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	\$66,801	(\$13,678,542)
Current Year Set Aside Requirement	132,490	132,490
Current Year Offsets	0	(58,248)
Qualifying Expenditures	(178,910)	0
Balance June 30, 2005	\$20,381	(\$13,604,300)
Amount Carried Forward to Fiscal Year 2006	\$20,381	(\$13,604,300)

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

13. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Local Professional Development Committee

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

B. Northwest Ohio Regional Professional Development Center

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

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326.

D. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2005, the School District paid \$44,431 to WOCO for various services. Financial information can be obtained from the Shelby County Education Service Center, 129 East Court Street, Sidney, Ohio 45365.

E. 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 Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

F. Auglaize County Special Needs School

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. INSURANCE POOLS

A. Mercer Auglaize School Employee Benefit Trust

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

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

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

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

15. MINSTER COMMUNITY SCHOOL

The School District sponsored a conversion school. All of the funds of the conversion school are accounted for in a single fund on the full accrual basis of accounting. Financial information for Minster Community School (MCS) is presented below:

Statement of Net Assets

Assets:	
Current Assets:	
Intergovernmental Receivable	\$125,000
Non-Current Assets:	
Capital Assets, Net	54,576
Total Assets	<u>179,576</u>
Net Assets:	
Invested in Capital Assets	54,576
Unrestricted	125,000
Total Net Assets	<u><u>\$179,576</u></u>

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. MINSTER COMMUNITY SCHOOL (Continued)

Statement of Revenues, Expenses, and Change in Net Assets

Operating Revenues:	
Foundation	\$661,066
Operating Expenses:	
Purchased Services	753,721
Depreciation	8,793
Other Expenses	33
Total Operating Expenses	<u>762,547</u>
Operating Loss	(101,481)
Non-Operating Revenues:	
Operating Grants	177,243
Change in Net Assets	75,762
Net Assets at Beginning of Year	<u>103,814</u>
Net Assets at End of Year	<u>\$179,576</u>

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:	
Cash Received from Foundation	\$661,066
Cash Payments for Services	(753,721)
Cash Payments for Other Expenses	(33)
Net Cash Used for Operating Activities	<u>(92,688)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	88,998
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(54,486)
Net Decrease in Cash and Cash Equivalents	<u>(58,176)</u>
Cash and Cash Equivalents at Beginning of Year	<u>58,176</u>
Cash and Cash Equivalents at End of Year	<u><u>\$0</u></u>

Reconciliation of Operating Loss To Net Cash

Used for Operating Activities:	
Operating Loss	(\$101,481)
Depreciation	8,793
Net Cash Used for Operating Activities	<u><u>(\$92,688)</u></u>

Noncash Noncapital Financing Activities - During fiscal year 2005, MCS recorded revenue for operating grants, in the amount of \$125,000; however, the cash will be received in fiscal year 2006.

A. Basis of Presentation

MCS's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

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

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. MINSTER COMMUNITY SCHOOL (Continued)

B. Intergovernmental Receivable

Receivables at June 30, 2005, consisted of an intergovernmental receivable arising from grants, in the amount of \$125,000. The receivable is considered collectible in full and within one year.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Depreciable Capital Assets				
Furniture and Equipment	\$8,883	\$54,486	\$0	\$63,369
Less Accumulated Depreciation	0	(8,793)	0	(8,793)
Capital Assets, Net	\$8,883	\$45,693	\$0	\$54,576

D. Related Party Transactions

In fiscal year 2005, purchased services were obtained from Minster Local School District by MCS, in the amount of \$753,721. The purchased services consisted of the following activities:

Service	Amount
Salaries	\$445,432
Fringe Benefits	164,224
Purchased Services	98,919
Supplies	45,146
Total	\$753,721

16. 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, 2005.

B. Litigation

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, (the School District) as of and for the years ended June 30, 2006 and 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 19, 2007, wherein, we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 19, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the School District's management dated March 19, 2007, we reported a matter related to noncompliance we deemed immaterial.

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Minster Local School District
Auglaize County
Independent Accountants' Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Required By *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the members of the Board. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 19, 2007

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR END JUNE 30, 2006 AND JUNE 30, 2005**

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

FINDING NUMBER 2006-001

Ohio Rev. Code Section 5705.10(H), states that money paid into a fund must be used only for the purposes for which such fund has been established.

As a result, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. The following funds were found to have deficit balances in the months listed, during fiscal years 2005 and 2006, by a maximum of the amounts listed.

<u>Fund</u>	<u>Months in Deficit</u>	<u>Maximum Deficit Amount</u>
006 – Food Service	October 2004, February 2005, June 2005, December 2005, April 2006, June 2006	\$59,947
516 – Title VI-B	December 2005, April 2006	9,835
573 – Title V	February 2005, December 2005, April 2006	511
590 – Eisenhower and Class Size Reduction	October 2004, February 2005, December 2005, April 2006, June 2006	9,573

Procedures should be developed to monitor fund balances and identify those funds that may potentially fall into a negative balance. Advances may be made to cover shortfalls; however, the general fund balance at June 30, 2006 and 2005 was not sufficient to cover the deficit amounts. Reference may be made to Audit Bulletin 97-003 for guidance.

H.B. 276, effective March 30, 2007, established Ohio Rev. Code Section 3315.20 which states that school districts may have a deficit in any special fund if both of the following conditions are met:

- The district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made, and
- The unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds.

Officials' Response:

Food Services: the deficit stems from the opening of an additional cafeteria with several purchases of utensils, trays and other operational needs other than equipment placed into service through the construction fund. Along with that additional cafeteria, staff members were added but lunch prices were not increased. There were not sufficient dollars in the general fund to advance to the cafeteria fund. In an effort to eliminate the deficit in future years, many changes are taking place in 2007:

1. We added an ala carte line at the middle school.
2. We've contracted with Pizza Hut to deliver pizza every Monday to all three cafeterias whereby we are selling more reimbursable meals on Monday.
3. Each cafeteria is now offering in the meal line more than one choice of the entrée, vegetable and fruit giving students more options and thereby increasing the number of reimbursable lunches.
4. Reduced staff and using student volunteers and consumable trays.
5. In 2008, prices will be increasing.

Although we are still running in a deficit, the deficit has been reduced in 2007 to date.

**FINDING NUMBER 2006-001
(Continued)**

Officials' Response (continued)

Federal Grants: By year end, all funds had a positive or zero fund balance. The month to month deficits were not monitored knowing that the allocations are determined by ODE and are available when requested. At times during the year however, the full amount of the grant is not fully funded by ODE. In fiscal year 2007, I have added month end procedures to request federal grant dollars as needed to eliminate deficits during the fiscal year. Deficits that exist are due to the timing of release of payment by ODE.

FINDING NUMBER 2006-002

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund should not exceed the total estimated revenue available for expenditure, as certified by the budget commission, and that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official estimate.

For fiscal year 2005, the original appropriations exceeded original estimated resources in the General Fund by \$1,011,245, and the final appropriations exceeded final estimated resources in the General Fund by \$76,258. Final appropriations exceeded final estimated resources in the Food Service fund in fiscal year 2006 by \$57,326.

The County Budget Commission certified estimated resources by fund type only instead of for each individual fund. Therefore, compliance testing of appropriations versus estimated resources could only be completed by fund type.

Procedures should be established and controls implemented which would ensure compliance with this statute. The School District should also request that the County Budget Commission approve estimated resources at the fund level.

Officials' Response

In fiscal year 2004, property tax values decreased \$5.9 million which equated to \$264,000 per year. It wasn't until fiscal year 2005 that this affected our available resources. In addition in 2005, our expenditures increased due to the start up of the community school. Prior to the decrease in valuation, our board had signed a 3 year agreement for salaries and benefits for all employees. Due to the decrease, we were obligated to make those salary payments however did not have the funds to do so. Rather than borrowing tax revenue from the next fiscal year, we allowed the general fund to go negative realizing the negative impact this might have on the audit report. In November 2006, we successfully passed an income tax levy as well as accepted a 2 year 0 percent base salary increase from all personnel. The board also passed a resolution to add a fiscal policy whereby the board has a 2 month operating cash balance for unexpected decreases in revenue or increases in expenditures to ensure that appropriations do not mandate an excess over estimated resources.

**MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006 AND JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Sec. 5705.10: Negative Fund Balances	No	Repeated as Finding 2006-001



Mary Taylor, CPA
Auditor of State

MINSTER LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2007**