

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

LAURA KLOSTERMAN, TREASURER



Dave Yost • Auditor of State

Board of Education
Minster Local School District
100 E. Seventh Street
Minster, OH 45865-1097

We have reviewed the *Independent Accountants' Report* of the Minster Local School District, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 21, 2012

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	4 - 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - Cash Basis	10
Statement of Activities - Cash Basis.....	11
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Cash Balances - Governmental Funds	12
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds.....	13
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	14
Statement of Cash Basis Fiduciary Net Assets - Fiduciary Funds.....	15
Notes to the Basic Financial Statements	16 - 35
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards.....	36
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37 - 38
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	39 - 40
Schedule of Findings and Responses <i>OMB Circular A-133</i> § .505	41 - 42
Status of Prior Audit Findings <i>OMB Circular A-133</i> § .505	43

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Minster Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Minster Local 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 Minster Local 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 accounting principles generally accepted in the United States of America. 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the fiscal year ended June 30, 2011, the Minster Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Independent Accountants' Report
Minster Local School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the Minster Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4 - 9 as listed in the table of contents, to supplement the cash basis basic financial statements. Although this information is not part of the cash basis basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the cash basis basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the cash basis basic financial statements, and other knowledge we obtained during our audit of the cash basis basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Minster Local School District's cash basis basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the cash basis basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the cash basis basic financial statements. This schedule was subject to the auditing procedures we applied to the cash basis basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the cash basis basic financial statements or to the cash basis basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the cash basis basic financial statements taken as a whole.



Julian & Grube, Inc.
December 20, 2011

Minster Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011, 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.

USING THIS ANNUAL REPORT

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

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

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

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, 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, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

Minster Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

	Table 1 Net Assets		
	2011	2010	Change
<u>Assets:</u>			
Cash and Cash Equivalents	\$1,182,255	\$1,174,669	\$7,586
<u>Net Assets:</u>			
Restricted	\$709,010	\$593,486	\$115,524
Unrestricted	473,245	581,183	(107,938)
Total Net Assets	\$1,182,255	\$1,174,669	\$7,586

Minster Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The change in total net assets was not significant. Restricted net assets increased from additional reimbursements for free and reduced lunches, along with unspent grant receipts. Unrestricted net assets decreased from program disbursements that had been charged to restricted net assets in fiscal year 2010 being made from unrestricted net assets in fiscal year 2011 due to lack of grant funding.

Table 2 reflects the changes in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
Change in Net Assets

	Governmental Activities		Change
	2011	2010	
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$471,707	\$439,963	\$31,744
Operating Grants, Contributions, and Interest	649,662	593,531	56,131
Capital Grants and Contributions	4,000	3,600	400
Total Program Receipts	<u>1,125,369</u>	<u>1,037,094</u>	<u>88,275</u>
General Receipts			
Property Taxes Levied for General Purposes	3,164,239	3,209,303	(45,064)
Property Taxes Levied for Recreation	11,204	11,389	(185)
Property Taxes Levied for Debt Service	765,305	769,748	(4,443)
Property Taxes Levied for Permanent Improvements	28,909	29,371	(462)
Income Taxes	520,674	536,338	(15,664)
Grants and Entitlements	4,039,437	4,017,819	21,618
Interest	6,792	13,016	(6,224)
Miscellaneous	128,415	134,144	(5,729)
Total General Receipts	<u>8,664,975</u>	<u>8,721,128</u>	<u>(56,153)</u>
Total Receipts	<u>9,790,344</u>	<u>9,758,222</u>	<u>32,122</u>
<u>Disbursements:</u>			
Instruction:			
Regular	4,074,636	4,361,085	286,449
Special	558,734	531,184	(27,550)
Vocational	178,517	228,433	49,916
Support Services:			
Pupils	568,535	598,103	29,568
Instructional Staff	504,532	421,691	(82,841)
Board of Education	31,728	40,540	8,812
Administration	653,330	716,874	63,544
Fiscal	204,765	535,265	330,500
Operation and Maintenance of Plant	987,276	876,100	(111,176)
Pupil Transportation	201,258	200,727	(531)
Central	57,870	65,071	7,201
^^			(continued)

Minster Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities 2011	Governmental Activities 2010	Change
<u>Disbursements:</u> (continued)			
Noninstructional Services	\$309,998	\$330,712	\$20,714
Extracurricular Activities	352,906	346,848	(6,058)
Capital Outlay	33,799	92,658	58,859
Debt Service:			
Principal Retirement	665,000	615,000	(50,000)
Interest and Fiscal Charges	399,874	429,051	29,177
Total Disbursements	<u>9,782,758</u>	<u>10,389,342</u>	<u>606,584</u>
Increase (Decrease) in Net Assets	7,586	(631,120)	638,706
Net Assets at Beginning of Year	1,174,669	1,805,789	(631,120)
Net Assets at End of Year	<u>\$1,182,255</u>	<u>\$1,174,669</u>	<u>\$7,586</u>

Program receipts increased from the prior fiscal year. Charges for services increased from an increase in attendance at extracurricular events. Operating grants, contributions, and interest increased from additional reimbursements for the reduced and free lunch program from the federal government.

The change in general receipts was not significant.

Total disbursements decreased by almost 6 percent from fiscal year 2010. Regular instruction disbursements decreased from the retirement of six teachers of which three were rehired on a part-time status, one teacher replaced with a part-time teacher, and two teachers who were not replaced. Disbursements related to vocational instruction decreased by 22 percent from the retirement of a teacher who was replaced with a part-time position. Board of education costs decreased due to a reimbursement for health insurance premiums. Administration disbursements decreased from the legal fees paid in fiscal year 2010 to defend the School District against discrimination and community school issues. Fiscal costs decreased from the repayment of federal grants in fiscal year 2010 relating to the community school. Central costs decreased due to a smaller percentage of salary being charged to this function.

Instructional staff disbursements increased from an increase in aides required to help with classrooms from the reduction of teachers. Operation and maintenance of plant disbursements increased from changing phone and ITC services and an increase in utility bills and usage.

Minster Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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	
	2011	2010	2011	2010
Instruction:				
Regular	\$4,074,636	\$4,361,085	\$3,714,786	\$4,028,691
Special	558,734	531,184	315,345	327,487
Vocational	178,517	228,433	142,821	193,372
Support Services:				
Pupils	568,535	598,103	568,535	596,603
Instructional Staff	504,532	421,691	504,532	421,691
Board of Education	31,728	40,540	31,728	40,540
Administration	653,330	716,874	653,330	716,874
Fiscal	204,765	535,265	204,765	535,265
Operation and Maintenance of Plant	987,276	876,100	987,276	876,100
Pupil Transportation	201,258	200,727	196,515	195,014
Central	57,870	65,071	46,045	48,087
Noninstructional Services	309,998	330,712	(21,979)	(6,824)
Extracurricular Activities	352,906	346,848	215,017	242,639
Capital Outlay	33,799	92,658	33,799	92,658
Debt Service:				
Principal Retirement	665,000	615,000	665,000	615,000
Interest and Fiscal Charges	399,874	429,051	399,874	429,051
Total Disbursements	<u>\$9,782,758</u>	<u>\$10,389,342</u>	<u>\$8,657,389</u>	<u>\$9,352,248</u>

General receipts paid for 88 percent of all disbursements which is comparable to fiscal year 2010. The most significant program receipts in fiscal year 2011 relate to special instruction and food service. Special instruction is principally paid for with operating grants. Food service (noninstructional services) receives federal and state funds for providing meals to students. Extracurricular activities also has significant receipts relating to sport activities and trip charges that are received to finance these activities.

THE SCHOOL DISTRICT'S FUNDS

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

Fund balance in the General Fund decreased 18 percent from the prior fiscal year. There was a modest decrease in most receipt sources. Disbursements had a 4 percent decrease which can be partially attributed to the repayment of a judgment in fiscal year 2010, in the amount of \$308,963, to the U. S. Department of Education for the repayment of federal grants that had been received from the Minster Community School, a former component unit of the School District.

Minster Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The Bond Retirement debt service fund had an increase in fund balance as tax collections are currently exceeding principal and interest payments.

BUDGETARY HIGHLIGHTS

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

For receipts and disbursements, changes from the original budget to the final budget and changes from the final budget to actual were not significant.

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

CURRENT ISSUES

In May 2011, the School District passed a 1 percent traditional base income tax for five years beginning collection in January 2012. The current .5 percent income tax expires in December 2011 and was not renewed.

During fiscal year 2011, the Board of Education voted to vacate the current elementary school and combine operations into the other two buildings on Seventh Street - an elementary building grades kindergarten through sixth grade and a junior/high school for grades seven through twelve. This decision along with retirements resulted in the reduction of staff by an administrator, a guidance position, and a custodial position, along with reduced utility costs for fiscal year 2012. The vacated building is currently being used for youth educational activities.

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, 50 East Seventh Street, Minster, Ohio 45865.

Minster Local School District
Statement of Net Assets - Cash Basis
June 30, 2011

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,182,255
<u>Net Assets</u>	
Restricted for:	
Debt Service	476,369
Capital Projects	58,251
Athletics	49,625
Food Service	47,851
Other Purposes	76,914
Unrestricted	473,245
Total Net Assets	\$1,182,255

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011

	Program Cash Receipts				Net (Disbursement) Receipt and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$4,074,636	\$77,809	\$282,041	\$0	(\$3,714,786)
Special	558,734	4,971	238,418	0	(315,345)
Vocational	178,517	0	31,696	4,000	(142,821)
Support Services:					
Pupils	568,535	0	0	0	(568,535)
Instructional Staff	504,532	0	0	0	(504,532)
Board of Education	31,728	0	0	0	(31,728)
Administration	653,330	0	0	0	(653,330)
Fiscal	204,765	0	0	0	(204,765)
Operation and Maintenance					
of Plant	987,276	0	0	0	(987,276)
Pupil Transportation	201,258	0	4,743	0	(196,515)
Central	57,870	0	11,825	0	(46,045)
Noninstructional Services	309,998	254,560	77,417	0	21,979
Extracurricular Activities	352,906	134,367	3,522	0	(215,017)
Capital Outlay	33,799	0	0	0	(33,799)
Debt Service:					
Principal Retirement	665,000	0	0	0	(665,000)
Interest and Fiscal Charges	399,874	0	0	0	(399,874)
Total Governmental Activities	\$9,782,758	\$471,707	\$649,662	\$4,000	(8,657,389)

General Receipts

Property Taxes Levied for:	
General Purposes	3,164,239
Recreation	11,204
Debt Service	765,305
Permanent Improvements	28,909
Income Taxes	520,674
Grants and Entitlements not Restricted to Specific Programs	4,039,437
Interest	6,792
Miscellaneous	128,415
Total General Receipts	8,664,975
 Change in Net Assets	 7,586
 Net Assets at Beginning of Year - Restated (Note 3)	 <u>1,174,669</u>
 Net Assets at End of Year	 <u><u>\$1,182,255</u></u>

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2011

	General	Bond Retirement	Other Governmental	Total
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$473,245	\$476,369	\$222,565	\$1,172,179
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	10,076	0	0	10,076
Total Assets	<u>\$483,321</u>	<u>\$476,369</u>	<u>\$222,565</u>	<u>\$1,182,255</u>
<u>Fund Balances</u>				
Restricted	\$10,076	\$476,369	\$222,565	\$709,010
Assigned	14,481	0	0	14,481
Unassigned	458,764	0	0	458,764
Total Fund Balances	<u>\$483,321</u>	<u>\$476,369</u>	<u>\$222,565</u>	<u>\$1,182,255</u>

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental	Total
<u>Receipts</u>				
Property Taxes	\$3,164,239	\$765,305	\$40,113	\$3,969,657
Income Taxes	520,674	0	0	520,674
Intergovernmental	3,732,068	332,976	586,620	4,651,664
Interest	6,790	0	124	6,914
Tuition and Fees	82,780	0	0	82,780
Charges for Services	0	0	254,560	254,560
Extracurricular Activities	0	0	134,367	134,367
Gifts and Donations	6,193	0	35,120	41,313
Miscellaneous	116,665	0	11,750	128,415
Total Receipts	7,629,409	1,098,281	1,062,654	9,790,344
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	4,044,417	0	30,219	4,074,636
Special	463,949	0	94,785	558,734
Vocational	174,517	0	4,000	178,517
Support Services:				
Pupils	539,690	0	28,845	568,535
Instructional Staff	372,115	0	132,417	504,532
Board of Education	31,728	0	0	31,728
Administration	653,230	0	100	653,330
Fiscal	192,907	11,260	598	204,765
Operation and Maintenance of Plant	800,144	0	187,132	987,276
Pupil Transportation	201,258	0	0	201,258
Central	38,082	0	19,788	57,870
Noninstructional Services	5,135	0	304,863	309,998
Extracurricular Activities	220,175	0	132,731	352,906
Capital Outlay	0	0	33,799	33,799
Debt Service:				
Principal Retirement	0	665,000	0	665,000
Interest and Fiscal Charges	0	399,874	0	399,874
Total Disbursements	7,737,347	1,076,134	969,277	9,782,758
Changes in Fund Balances	(107,938)	22,147	93,377	7,586
Fund Balances at Beginning of Year - Restated (Note 3)	591,259	454,222	129,188	1,174,669
Fund Balances at End of Year	\$483,321	\$476,369	\$222,565	\$1,182,255

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$3,461,289	\$3,461,289	\$3,164,239	(\$297,050)
Income Taxes	509,000	509,000	520,674	11,674
Intergovernmental	3,375,129	3,399,756	3,732,068	332,312
Interest	10,000	10,000	6,790	(3,210)
Tuition and Fees	70,651	72,224	82,780	10,556
Gifts and Donations	3,459	3,459	6,193	2,734
Miscellaneous	108,570	112,866	116,665	3,799
Total Receipts	7,538,098	7,568,594	7,629,409	60,815
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	6,003,751	6,004,251	4,059,446	1,944,805
Special	248,478	248,478	463,949	(215,471)
Vocational	76,882	76,882	174,567	(97,685)
Support Services:				
Pupils	272,161	272,161	539,690	(267,529)
Instructional Staff	131,279	131,279	373,394	(242,115)
Board of Education	3,370	3,370	31,728	(28,358)
Administration	396,154	396,154	655,545	(259,391)
Fiscal	174,771	174,771	193,032	(18,261)
Operation and Maintenance of Plant	274,350	274,350	830,425	(556,075)
Pupil Transportation	89,618	89,618	205,008	(115,390)
Central	11,009	11,009	38,082	(27,073)
Noninstructional Services	0	0	5,135	(5,135)
Extracurricular Activities	185,548	185,548	220,175	(34,627)
Total Disbursements	7,867,371	7,867,871	7,790,176	77,695
Changes in Fund Balance	(329,273)	(299,277)	(160,767)	138,510
Fund Balance at Beginning of Year	568,391	568,391	568,391	0
Prior Year Encumbrances Appropriated	22,868	22,868	22,868	0
Fund Balance at End of Year	\$261,986	\$291,982	\$430,492	\$138,510

See accompanying notes to the basic financial statements

Minster Local School District
Statement of Cash Basis Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$57,036</u>
<u>Net Assets</u>	
Undistributed Assets	\$9,218
Held for Students	<u>47,818</u>
Total Net Assets	<u>\$57,036</u>

See accompanying notes to the basic financial statements

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 - Description of the School District and Reporting Entity

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

The School District serves an area of approximately thirty square miles. It is located in Auglaize, Darke, Mercer, and Shelby Counties. The School District is the 520th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-seven classified employees, sixty-one certified teaching personnel, and five administrative employees who provide services to 896 students and other community members. The School District currently operates three school buildings.

Reporting Entity

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

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

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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, contributions, and interest 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.

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.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Governmental Funds

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

D. Budgetary Process

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

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

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

E. Cash and Investments

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

During fiscal year 2011, 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 2011 was \$6,790, which includes \$2,590 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Restricted assets represent unexpended resources restricted for the purchase of school buses and for 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 through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance

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

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

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

L. Interfund Activity

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

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

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

Note 3 - Change in Accounting Principles and Restatement of Net Assets

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The restatement had the following effect on fund balance:

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$568,294	\$454,222	\$136,866	\$1,159,382
Change in Fund Structure	22,965	0	(7,678)	15,287
Adjusted Fund Balance at June 30, 2010	\$591,259	\$454,222	\$129,188	\$1,174,669

The restatement had the following effect on net assets:

	Governmental Activities
Net Assets June 30, 2010	\$1,159,382
Change in Fund Structure	15,287
Adjusted Net Assets at June 30, 2010	\$1,174,669

Note 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.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

Note 5 - Income Taxes

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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, 2011, are available to finance fiscal year 2012 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 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$117,692,110	99.16%	\$119,088,490	99.11%
Public Utility	992,030	.84	1,075,480	.89
Total Assessed Value	\$118,684,140	100.00%	\$120,163,970	100.00%
Tax rate per \$1,000 of assessed valuation	\$52.87		\$52.97	

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 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 2011, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$5,000,000
Aggregate	7,000,000
Automobile Liability	5,000,000
Building and Contents	45,258,167
Flood and Earthquake	20,000,000

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

For fiscal year 2011, 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.

Note 8 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$470,420 and \$748 for the fiscal year ended June 30, 2011, \$501,479 and \$2,406 for the fiscal year ended June 30, 2010, and \$490,575 for the fiscal year ended June 30, 2009. For fiscal year 2011, 84 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$13,960 made by the School District and \$9,971 made by the plan members. In addition, member contributions of \$534 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$77,903, \$85,789, and \$74,222, respectively. For fiscal year 2011, 19 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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, 2011, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$37,318, \$40,157, and \$38,400, respectively. For fiscal year 2011, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$11,226 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$9,433, \$3,088, and \$33,968, respectively. For fiscal year 2011, 19 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$5,013, \$5,102, and \$6,124, respectively. For fiscal year 2011, 19 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 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.

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

B. Health Care Benefits

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

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

C. Separation Benefit

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

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

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
General Obligations Bonds					
2000 School Improvement					
Serial Bonds 4.40 - 4.90%	\$515,000	\$0	\$515,000	\$0	\$0
Capital Appreciation Bonds	329,664	0	0	329,664	101,733
Total 2000 School Improvement Bonds	<u>844,664</u>	<u>0</u>	<u>515,000</u>	<u>329,664</u>	<u>101,733</u>
2005 School Improvement Refunding					
Serial Bonds 3.00 - 4.50%	4,065,000	0	150,000	3,915,000	155,000
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	<u>9,004,991</u>	<u>0</u>	<u>150,000</u>	<u>8,854,991</u>	<u>155,000</u>
Total Governmental Activities Long-Term Obligations	<u>\$9,849,655</u>	<u>\$0</u>	<u>\$665,000</u>	<u>\$9,184,655</u>	<u>\$256,733</u>

2000 School Improvement General Obligation Bonds - On October 1, 2000, the School District issued \$14,024,664 in voted general obligation bonds for constructing and equipping a middle school, constructing additions to, renovating, and improving existing school buildings and facilities, and acquiring land. The bond issue included serial, term, and capital appreciation bonds, in the original 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 included serial, term, and capital appreciation bonds, in the original 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, 2011, all of the refunded bonds were paid.

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

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

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

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

The School District's overall debt margin was \$2,010,071 with an unvoted debt margin of \$119,093 at June 30, 2011.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2012	\$155,000	\$169,144	\$0	\$212,581
2013	160,000	163,237	0	212,581
2014	0	160,238	0	212,581
2015	0	160,237	0	212,581
2016	0	160,238	0	212,582
2017-2021	705,000	726,281	1,460,000	1,001,494
2022-2026	945,000	630,112	3,390,000	312,272
2027-2028	1,950,000	87,075	0	0
Totals	<u>\$3,915,000</u>	<u>\$2,256,562</u>	<u>\$4,850,000</u>	<u>\$2,376,672</u>

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Fiscal Year Ending	General Obligation Bonds	
	Capital Appreciation	
	Principal	Interest
2012	\$101,733	\$418,267
2013	87,375	432,625
2014	82,864	602,136
2015	74,327	610,673
2016	29,928	695,072
2017-2018	43,428	1,406,572
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.

Note 12 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$49,625	\$49,625
Bus Purchase	7,373	0	0	7,373
Capital Improvements	0	0	58,251	58,251
Debt Service	0	476,369	0	476,369
Food Service Operations	0	0	47,851	47,851
Recreation	0	0	36,986	36,986
Regular Instruction	0	0	29,852	29,852
Unclaimed Monies	2,703	0	0	2,703
Total Restricted	10,076	476,369	222,565	709,010
Assigned for:				
Educational Activities	13,776	0	0	13,776
Food Service Operations	705	0	0	705
Total Assigned	14,481	0	0	14,481
Unassigned:	458,764	0	0	458,764
Total Fund Balance	\$483,321	\$476,369	\$222,565	\$1,182,255

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 13 - 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 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	(\$114,029)	\$0
Current Year Set Aside Requirement	140,643	140,643
Current Year Offsets	0	(140,643)
Qualifying Expenditures	(147,797)	0
Balance June 30, 2011	(\$121,183)	\$0

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

Note 14 - Jointly Governed Organizations

A. Auglaize County Local Professional Development Committee

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

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2011, the School District paid \$52,282 to WOCO for various services. Financial information can be obtained from the Shelby County Education Service Center, 129 East Court Street, Sidney, Ohio 45365.

C. Auglaize County Educational Academy

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

Note 15 - Insurance Pools

A. Ohio School Plan

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

B. Mercer Auglaize School Employee Benefit Trust

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

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

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

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

Minster Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 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, 2011.

B. Litigation

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

SUPPLEMENTARY DATA

**MINSTER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(E) National School Lunch Program - Food Donation	10.555	2011	\$ 67,706	\$ 67,706
(C) National School Lunch Program	10.555	2011	53,575	53,575
Total National School Lunch Program			<u>121,281</u>	<u>121,281</u>
Total U.S. Department of Agriculture			<u>121,281</u>	<u>121,281</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2011	23,592	23,592
<i>Special Education Cluster:</i>				
(D) Special Education_ Grants to States	84.027	2011	143,340	143,340
(D) ARRA-Special Education_ Grants to States, Recovery Act	84.391	2011	81,169	81,169
Total Special Education Cluster			<u>224,509</u>	<u>224,509</u>
(F) Educational Technology State Grants	84.318	2010	(210)	-
(F) Educational Technology State Grants	84.318	2011	79	79
Total Educational Technology State Grants			<u>(131)</u>	<u>79</u>
Improving Teacher Quality State Grants	84.367	2011	19,540	19,540
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	187,393	187,393
Total U.S. Department of Education			<u>454,903</u>	<u>455,113</u>
Total Federal Financial Assistance			<u>\$ 576,184</u>	<u>\$ 576,394</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Special Education Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market value
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following advances

Program Title	CFDA Grant	Year	Transfer Out	Transfer In
Educational Technology State Grants	84.318	2010	\$ 210	
Educational Technology State Grants	84.318	2011		\$ 210



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Serving Ohio Local Governments

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Minster Local School District's cash basis basic financial statements and have issued our report thereon dated December 20, 2011, wherein we noted that the Minster Local School District follows the cash basis of accounting, which is an other comprehensive basis of accounting not in accordance with accounting principles generally accepted in the United States of America. Further, the Minster Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 Minster Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Minster Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Minster Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Minster Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Minster Local School District

Compliance and Other Matters

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

We intend this report solely for the information and use of the management and Board of Education of the Minster Local School District, federal awarding agencies and pass-through entities and others within the Minster Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 20, 2011



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By *OMB Circular A-133*

Minster Local School District
100 Seventh Street
Minster, Ohio 45865

To the Board of Governors:

Compliance

We have audited the compliance of the Minster Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Minster Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Minster Local School District's major federal programs. The Minster Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Minster Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Minster Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Minster Local School District's compliance with those requirements.

In our opinion, the Minster Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as finding 2011-MLSD-001.

Board of Education
Minster Local School District

Internal Control Over Compliance

The Minster Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Minster Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Minster Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

We intend this report solely for the information and use of the management and Board of Education of Minster Local School District, others within Minster Local School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Julian & Grube, Inc.
December 20, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	National School Lunch Program, CFDA #10.555; ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

MINSTER LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-MLSD-001
CFDA Title and Number	N/A
Federal Award Number/Year	2011
Federal Agency	All
Pass-Through Agency	All

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The School District expended \$530,246 in federal awards in 2010, but did not file their reporting packet with the Federal Audit Clearinghouse by the required filing deadline of March 30, 2011.

We recommend that upon completion of the annual audit, that the School District ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: The School District has filed the 2010 reporting packet and will file the 2011 reporting packet prior to the deadline.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; <u>Finding no Longer Valid</u>
2010-001	Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or order any expenditure of money unless a certificate signed by the Treasurer is attached thereto.	Yes	N/A

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Dave Yost • Auditor of State

MINSTER LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 8, 2012**