



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



MINSTER LOCAL SCHOOL DISTRICT

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Minster Local School District, Auglaize County, (the School District), as of and for the year then ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year ended in conformity with generally accepted accounting principles

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**JIM PETRO**  
Auditor of State

August 23, 2000



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**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$135,903	\$88,423	\$310	\$27,886
Cash and Cash Equivalents in Segregated Accounts		11,259		
Receivables:				
Taxes	3,343,953			57,115
Accounts	1,138	2,279		3
Intergovernmental	9,989			
Accrued Interest	499	184		
Prepaid Items	54,920			
Inventory Held for Resale				
Materials and Supplies Inventory	23,257	570		
Restricted Assets:				
Cash and Cash Equivalents	88,955			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount to be Provided from General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b>\$3,658,614</b>	<b>\$102,715</b>	<b>\$310</b>	<b>\$85,004</b>
<b>Liabilities, Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$70,176	\$3,788	\$0	\$5,638
Accrued Wages	405,806	264		
Compensated Absences Payable	6,148			
Intergovernmental Payable	107,357			
Deferred Revenue	3,222,388			55,698
Due to Students				
<b>Total Liabilities</b>	<b>3,811,875</b>	<b>4,052</b>	<b></b>	<b>61,336</b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	53,804	9,556		400
Reserved for Bus Purchase	18,845			
Reserved for Inventory	23,257	570		
Reserved for Property Taxes	121,565			1,417
Reserved for Textbooks & Instructional Materi:	250			
Reserved for Budget Stabilization	69,860			
Unreserved (Deficit)	(440,842)	88,537	310	21,851
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>(153,261)</b>	<b>98,663</b>	<b>310</b>	<b>23,668</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,658,614</b>	<b>\$102,715</b>	<b>\$310</b>	<b>\$85,004</b>

*The notes to the financial statements are an integral part of this statement.*



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$55,964	\$45,453	\$0	\$0	\$353,939
				11,259
17,216				3,418,284
28				3,448
2,061				12,050
115	125			923
953				55,873
6,504				6,504
2,256				26,083
				88,955
49,768		5,228,203		5,277,971
			330,215	330,215
<u>\$134,865</u>	<u>\$45,578</u>	<u>\$5,228,203</u>	<u>\$330,215</u>	<u>\$9,585,504</u>
\$460	\$0	\$0	\$0	\$80,062
944				407,014
8,129			285,114	299,391
222			45,101	152,680
18,348				3,296,434
	30,996			30,996
<u>28,103</u>	<u>30,996</u>		<u>330,215</u>	<u>4,266,577</u>
		5,228,203		5,228,203
6,822				6,822
99,940				99,940
				63,760
				18,845
				23,827
				122,982
				250
				69,860
	14,582			(315,562)
<u>106,762</u>	<u>14,582</u>	<u>5,228,203</u>	<u>0</u>	<u>5,318,927</u>
<u>\$134,865</u>	<u>\$45,578</u>	<u>\$5,228,203</u>	<u>\$330,215</u>	<u>\$9,585,504</u>

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**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$3,396,069	\$0	\$0	\$57,627	\$0	\$3,453,696
Intergovernmental	1,642,164	94,856		118,253		1,855,273
Interest	39,059	1,202		358	500	41,119
Tuition and Fees	11,258					11,258
Extracurricular Activities		86,949				86,949
Gifts and Donations		600			4,950	5,550
Rent	4,590					4,590
Miscellaneous	91,227	1,400				92,627
<b>Total Revenues</b>	<b>5,184,367</b>	<b>185,007</b>	<b>0</b>	<b>176,238</b>	<b>5,450</b>	<b>5,551,062</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,689,624	19,973		84,744	5,401	2,799,742
Special	294,152	44,937				339,089
Vocational	179,102					179,102
Adult/Continuing	1,898					1,898
Support Services:						
Pupils	183,695					183,695
Instructional Staff	145,448	13,530				158,978
Board of Education	15,163					15,163
Administration	712,712	2,761		4,121		719,594
Fiscal	145,553		56	1,205		146,814
Operation and Maintenance of Plant	524,539					524,539
Pupil Transportation	195,184	264				195,448
Central	43,790	5,000				48,790
Operation of Non-Instructional Services					500	500
Extracurricular Activities	168,423	106,647				275,070
Capital Outlay	8,954			71,673		80,627
Debt Service:						
Principal Retirement			125,000			125,000
Interest and Fiscal Charges			3,906			3,906
<b>Total Expenditures</b>	<b>5,308,237</b>	<b>193,112</b>	<b>128,962</b>	<b>161,743</b>	<b>5,901</b>	<b>5,797,955</b>
Excess of Revenues Over (Under) Expenditures	(123,870)	(8,105)	(128,962)	14,495	(451)	(246,893)
<b>Other Financing Sources:</b>						
Proceeds from Sale of Fixed Assets	2,031					2,031
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(121,839)	(8,105)	(128,962)	14,495	(451)	(244,862)
Fund Balances (Deficit) at Beginning of Year	(26,856)	106,768	129,272	9,173	15,033	233,390
(Decrease) in Reserve for Inventory	(4,566)					(4,566)
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$153,261)</b>	<b>\$98,663</b>	<b>\$310</b>	<b>\$23,668</b>	<b>\$14,582</b>	<b>(\$16,038)</b>

*The notes to the financial statements are an integral part of this statement.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$3,316,093	\$3,339,159	\$23,066	\$0	\$0	\$0
Intergovernmental	1,758,707	1,649,550	(109,157)	78,306	78,306	
Interest	48,000	42,462	(5,538)	800	1,255	455
Tuition and Fees	11,300	11,258	(42)			
Extracurricular Activities				77,130	86,949	9,819
Gifts and Donations	500		(500)	3,000	600	(2,400)
Rent	5,000	4,590	(410)			
Miscellaneous	51,700	83,039	31,339			
<b>Total Revenues</b>	<b>5,191,300</b>	<b>5,130,058</b>	<b>(61,242)</b>	<b>159,236</b>	<b>167,110</b>	<b>7,874</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,691,314	2,688,739	2,575	21,327	20,446	881
Special	311,437	311,013	424	44,937	44,937	
Vocational	190,066	189,479	587			
Adult/Continuing	580	18	562			
Support Services:						
Pupils	188,910	183,369	5,541			
Instructional Staff	154,207	153,777	430	8,497	8,366	131
Board of Education	13,750	13,402	348			
Administration	693,636	692,549	1,087	2,761	2,761	
Fiscal	147,647	146,732	915			
Operation and Maintenance of Plant	539,886	539,194	692			
Pupil Transportation	263,463	262,422	1,041			
Central	43,955	43,649	306	5,000	5,000	
Operation of Non-Instructional Services						
Extracurricular Activities	170,980	169,056	1,924	115,484	114,898	586
Capital Outlay	8,955	8,954	1			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>5,418,786</b>	<b>5,402,353</b>	<b>16,433</b>	<b>198,006</b>	<b>196,408</b>	<b>1,598</b>
Excess of Revenues Over (Under) Expenditures	(227,486)	(272,295)	(44,809)	(38,770)	(29,298)	9,472
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets		2,031	2,031			
Refund of Prior Year Expenditures	5,000	9,300	4,300		2,761	2,761
Advances In		2,000	2,000			
Advances Out						
<b>Total Other Financing Sources (Uses)</b>	<b>5,000</b>	<b>13,331</b>	<b>8,331</b>	<b>0</b>	<b>2,761</b>	<b>2,761</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(222,486)	(258,964)	(36,478)	(38,770)	(26,537)	12,233
Fund Balances at Beginning of Year	280,618	280,618		84,044	84,044	
Prior Year Encumbrances Appropriated	92,674	92,674		13,147	13,147	
<b>Fund Balances at End of Year</b>	<b>\$150,806</b>	<b>\$114,328</b>	<b>(\$36,478)</b>	<b>\$58,421</b>	<b>\$70,654</b>	<b>\$12,233</b>

The notes to the financial statements are an integral part of this statement.

Governmental Fund Types						Fiduciary Fund Type		
Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$57,791	\$57,034	(\$757)	\$0	\$0	\$0
			120,011	118,253	(1,758)		433	433
			1,119	358	(761)			
						4,000	4,950	950
0	0	0	178,921	175,645	(3,276)	4,000	5,383	1,383
			84,744	84,744		7,335	5,401	1,934
			4,121	4,121				
56	56		1,397	1,205	192			
						500	500	
			123,352	123,352				
125,000	125,000							
3,925	3,906	19						
128,981	128,962	19	213,614	213,422	192	7,835	5,901	1,934
(128,981)	(128,962)	19	(34,693)	(37,777)	(3,084)	(3,835)	(518)	3,317
				(2,000)	(2,000)			
0	0	0	0	(2,000)	(2,000)	0	0	0
(128,981)	(128,962)	19	(34,693)	(39,777)	(5,084)	(3,835)	(518)	3,317
129,272	129,272		2,517	2,517		14,141	14,141	
			59,108	59,108		834	834	
\$291	\$310	\$19	\$26,932	\$21,848	(\$5,084)	\$11,140	\$14,457	\$3,317

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR FISCAL YEAR ENDED JUNE 30, 1999**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	<u>\$191,687</u>
Total Operating Revenues	<u>191,687</u>
<b>Operating Expenses:</b>	
Salaries	74,228
Fringe Benefits	12,976
Purchased Services	9,302
Materials and Supplies	9,756
Cost of Sales	114,183
Depreciation	5,611
Other Operating Expenses	<u>354</u>
Total Operating Expenses	<u>226,410</u>
Operating Loss	<u>(34,723)</u>
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	20,961
Interest	892
Operating Grants	21,753
Taxes	<u>17,425</u>
Total Non-Operating Revenues	<u>61,031</u>
Net Income	26,308
Retained Earnings at Beginning of Year	<u>73,632</u>
Retained Earnings at End of Year	99,940
Contributed Capital at Beginning of Year and at the End of the Year	<u>6,822</u>
Total Fund Equity at End of Year	<u><u>\$106,762</u></u>

*The notes to the financial statements are an integral part of this statement.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (BUDGETARY BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$190,400	\$191,687	\$1,287
Taxes	17,313	17,189	(124)
Other Non-operating Revenues	400	841	441
Operating Grants	19,818	21,528	1,710
<b>Total Revenues</b>	<b>227,931</b>	<b>231,245</b>	<b>3,314</b>
<b>Expenses:</b>			
Salaries	77,091	74,818	2,273
Fringe Benefits	11,840	11,835	5
Purchased Services	11,032	9,346	1,686
Materials and Supplies	108,532	105,322	3,210
Capital Outlay	500	354	146
Other	2,200	862	1,338
<b>Total Expenses</b>	<b>211,195</b>	<b>202,537</b>	<b>8,658</b>
Excess of Revenues Over Expenses	16,736	28,708	11,972
Fund Equity at Beginning of Year	24,037	24,037	0
Prior Year Encumbrances Appropriated	2,694	2,694	0
<b>Fund Equity at End of Year</b>	<b>\$43,467</b>	<b>\$55,439</b>	<b>\$11,972</b>

*The notes to the financial statements are an integral part of this statement.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$191,687
Cash Payments to Suppliers for Goods and Services	(115,005)
Cash Payments to Employees for Services	(74,818)
Cash Payments for Employee Benefits	(11,835)
Cash Payments for Other Operating Expenses	<u>(353)</u>

Net Cash Used for Operating Activities (10,324)

**Cash Flows from Noncapital Financing Activities:**

Operating Grants Received	21,528
Tax Revenues	<u>17,189</u>

Net Cash Provided by Noncapital Financing Activities 38,717

**Cash Flows from Investing Activities:**

Interest	<u>840</u>
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Net Increase in Cash and Cash Equivalents 29,233  
Cash and Cash Equivalents at Beginning of Year 26,731

Cash and Cash Equivalents at End of Year \$55,964

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss	<u>(34,723)</u>
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**Adjustments to Reconcile Operating  
Loss to Net Cash Used for Operating Activities**

Depreciation Expense	5,611
Donated Commodities Used During Year	20,961
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	23
(Increase) in Inventory Held for Resale	(2,284)
(Increase) in Materials and Supplies Inventory	(923)
Decrease in Prepaids	187
Increase in Accounts Payable	460
(Decrease) in Wages Payable	(196)
Increase in Compensated Absences Payable	550
Increase in Intergovernmental Payable	<u>10</u>

Total Adjustments 24,399

**Net Cash Used For Operating Activities** (\$10,324)

*The notes to the financial statements are an integral part of this statement.*



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1833 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 33 square miles. It is located in Auglaize, Shelby, Darke and Mercer counties, and includes all of the Village of Minster and portions of surrounding townships. It is staffed by 28 non-certificated employees, 60 certificated full-time teaching personnel and 5 administrative employees who provide services to 961 students and other community members. The School District currently operates 3 instructional buildings. The administration and Board of Education offices are located within the instructional buildings.

**Reporting Entity:**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organizations and two group purchasing pools. These organizations include the Western Ohio Computer Organization (WOCO), Auglaize County Local Professional Development Committee, Northwest Ohio Regional Professional Development Center, West Central Ohio Special Educational Regional Center, Mercer/Auglaize Employee Benefit Trust, and Ohio School Board Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 16 and 17 to the general-purpose financial statements.

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**Governmental Fund Types:**

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

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

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

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

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

**Proprietary Fund Type:**

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

**Fiduciary Fund Types:**

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

**Account Groups:**

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting (Continued)**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

**C. Budgetary Process**

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

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

Advances in and Advances out are not required by state statute to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tax Budget:**

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**C. Budgetary Process (Continued)**

**Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**Appropriations:**

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

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

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

**Encumbrances:**

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

**Lapsing of Appropriations:**

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to non-negotiable certificates of deposit which are reported at cost. Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$39,059, which includes \$4,078 assigned from other School District funds.

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

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

**E. Inventory**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Restricted Cash**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, and to create a reserve for budget stabilization. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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

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

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

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

- Entitlements**
  - General Fund**
    - State Foundation Program
    - State Property Tax Relief
    - School Bus Purchase Allocation
  - Special Revenue Fund**
    - Textbook Subsidy
- Non-Reimbursable Grants**
  - Special Revenue Funds**
    - Teacher Development
    - Drug Free
    - Early Childhood
    - Education Management Information Systems
    - Eisenhower
    - Excellence in Education
    - Title I
    - Title VI-B
    - Title VI
    - E-rate

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**I. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants**

**Capital Projects Funds**

School Net Plus  
Power Up for Technology

**Reimbursable Grants**

**General Fund**

Driver Education

**Proprietary Funds**

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 33.3 percent of the School District's operating revenue during the 1999 fiscal year.

**J. Compensated Absences**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

**L. Interfund Transactions**

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

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



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**M. Fund Balance Reserves**

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

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

**N. Contributed Capital**

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

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

**O. Estimates**

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

**P. Total Columns on General-Purpose Financial Statements**

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

**NOTE 3 - ACCOUNTABILITY**

At June 30, 1999, the general fund had a deficit fund balance of \$153,261. The deficit was the result of the application of generally accepted accounting principles.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. In addition, the School District does not budget for the activities of the funds held and spent on behalf of the School District.

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

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

	General	Special Revenue	Capital Project	Expendable Trust
GAAP Basis	(\$121,839)	(\$8,105)	\$14,495	(\$451)
Revenue Accruals	(45,009)	457	(593)	(67)
Expenditure Accruals	20,096	3,552	(45,641)	
Prepaid Items	(3,682)			
Advances In (Out)	2,000		(2,000)	
Excess of Revenue over Expenditures of Non-Budgeted Funds		(4,672)		
Year-End Encumbrances	(110,530)	(17,769)	(6,038)	
Budget Basis	<u>(\$258,964)</u>	<u>(\$26,537)</u>	<u>(\$39,777)</u>	<u>(\$518)</u>

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**Net Income/Excess of Revenues Over Expenses  
All Enterprise Funds**

GAAP Basis	\$26,308
Revenue Accruals	(490)
Expense Accruals	824
Changes in Inventory	(3,207)
Changes in Prepaids	187
Depreciation	5,611
Year-End Encumbrances	(525)
Budget Basis	<u>\$28,708</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

At fiscal year end, the School District had \$285 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

At fiscal year end, the School District's special revenue funds had a balance of \$11,259 with the Auglaize County Educational Service Center (ESC). The money is held by the ESC in a pooled account which is representative of numerous funds and, therefore, cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents along with financial information for the ESC as a whole may be obtained from the Auglaize County Educational Service Center, 520 Industrial Drive, Wapakoneta, Ohio, 45895.

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$442,609 and the bank balance was \$536,356. Of the bank balance \$200,000 was covered by federal depository insurance. The remaining amount of \$336,356 was covered by pledged securities held by the counterparty's trust department.

The School District had no investments at year end. During the fiscal year, investments were limited to time certificates of deposit.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value. The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$66,537,990	60.13%	\$69,241,520	59.78%
Public Utility	2,565,350	2.32%	2,690,440	2.33%
Tangible Person Property	41,555,000	37.55%	43,887,531	37.89%
Total	<u>\$110,658,340</u>	<u>100.00%</u>	<u>\$115,819,491</u>	<u>100.00%</u>
Tax rate per \$1000 of assessed valuation	\$36.77		\$39.17	

The School District passed a \$2.40 mill continuing operating levy in November 1998.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Shelby, Darke and Mercer 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$121,565 in the general fund, \$1,417 in the permanent improvement capital projects fund and \$556 in recreation enterprise fund. The amount available as an advance at June 30, 1998, was \$64,808 in the general fund, \$827 in the permanent improvement capital projects fund and \$320 in recreation enterprise fund.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>General Fund</b>	
Vocational Programs	\$ 3,472
Other Reimbursements	<u>6,517</u>
Total General Fund	9,989
 <b>Food Service Fund</b>	
National School Lunch	2,014
State School Lunch	<u>47</u>
Total Food Service Fund	<u>2,061</u>
Grand Total	<u>\$12,050</u>

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Land	\$ 1,800
Land Improvements	58,243
Building and Improvements	5,922
Furniture, Fixtures and Equipment	64,881
Vehicles	<u>6,325</u>
Total	137,171
Less Accumulated Depreciation	<u>(87,403)</u>
Net Book Value	<u>\$ 49,768</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<b>Balance 06/30/98</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/99</b>
Land	\$53,490	\$0	\$0	\$53,490
Buildings and Improvements	3,548,333	57,317		3,605,650
Furniture, Fixtures and Equipment	1,111,006	157,992	116,271	1,152,727
Vehicles	<u>355,020</u>	<u>61,316</u>		<u>416,336</u>
Total	<u>\$5,067,849</u>	<u>\$276,625</u>	<u>\$116,271</u>	<u>\$5,228,203</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Indiana Insurance for property and fleet insurance, Nationwide Insurance for liability insurance, Continental Insurance for boiler and machinery and Ohio Casualty Insurance for inland marine coverage.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 9 - RISK MANAGEMENT** (Continued)

Coverages provided by the various companies are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$14,586,055
Inland Marine Coverage (\$250 deductible)	120,730
Boiler and Machinery (\$500 deductible)	500,000
Automobile Liability	1,000,000
Medical Payments Per Person	5,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 17). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current contribution rate for the School District is 14 percent of annual covered payroll.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

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

**A. School Employees Retirement System (Continued)**

A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$38,182, \$47,655, and \$48,281, respectively; 38.7 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$23,410 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$145,907, \$244,257, and \$308,988, respectively; 80.1 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$29,006 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$194,543 during the 1999 fiscal year.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

(Continued)

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

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$47,965 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees, after the completion of one year of service, earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 57 days for teachers, administrators, and classified personnel.

**B. Health Care Benefits**

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<b>Principal Outstanding <u>06/30/98</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Principal Outstanding <u>06/30/99</u></b>
General Long Term Obligations				
High School Addition Bonds 1988, 6.25%	\$125,000	\$0	\$125,000	\$0
Intergovernmental Payable	40,601	45,101	40,601	45,101
Compensated Absences	<u>263,886</u>	<u>21,228</u>		<u>285,114</u>
Total	<u>\$429,487</u>	<u>\$66,329</u>	<u>\$165,601</u>	<u>\$330,215</u>

**General Obligation Bonds**

On March 1, 1988, the School District issued \$1,230,000 in voted general obligation bonds for the purpose of building a high school addition for the Minster Local School District. The bonds were issued for a ten year period with final maturity in fiscal year 1999. The bonds are retired with property tax revenues.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$10,424,064 with an unvoted debt margin of \$115,819 at June 30, 1999.

**Authorized but Unissued Debt**

In 1999, the School District received approval for bonds from the community in the amount of \$14,025,000. The bonds will finance a new middle school, additions and renovations to the high school and junior high buildings. The bonds will be payable from the bond retirement debt service fund.

**NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b><u>Textbooks</u></b>	<b><u>Capital Acquisition</u></b>	<b><u>Budget Stabilization</u></b>	<b><u>Totals</u></b>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$28,683	\$28,683
Current Year Set-aside Requirement	82,354	82,354	41,177	205,885
Current Year Offsets	(14,134)	(57,781)	0	(71,915)
Qualifying Disbursements	<u>(67,970)</u>	<u>(24,573)</u>	0	<u>(92,543)</u>
Set-aside Cash Balance as of June 30, 1999	<u>\$250</u>	<u>\$0</u>	<u>\$69,860</u>	<u>\$70,110</u>
Amount restricted for bus purchases				18,845
Total Restricted Assets				<u>\$88,955</u>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and recreation. The table below reflects the more significant financial data relating to the enterprise funds of the Minster Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Recreation</u>	<u>Total</u>
Operating Revenues	\$158,404	\$33,283	\$0	\$191,687
Depreciation	1,156		4,455	5,611
Operating Income (Loss)	(25,095)	4,763	(14,391)	34,723
Federal Donated Commodities	20,961			20,961
Operating Grants	20,531		1,222	21,753
Interest	342		550	892
Tax Revenue			17,425	17,425
Net Income	16,739	4,763	4,806	26,308
Net Working Capital	24,278	8,599	32,246	65,123
Total Assets	36,295	8,599	89,971	134,865
Total Fund Equity	25,313	8,599	72,850	106,762
Encumbrances Outstanding	44		481	525

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION**

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

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)**

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

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

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

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

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

**NOTE 17 - INSURANCE POOLS**

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 17 - INSURANCE POOLS (Continued)**

**Mercer/Auglaize Employee Welfare Benefit Association (Continued)**

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

**NOTE 18 - SCHOOL FUNDING**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,313,908 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the thorough and efficient clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of August 30, 2000, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 19 - CONTINGENCIES**

**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, 1999.

**Litigation**

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of Minster Local School District, Auglaize County, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated August 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated August 23, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated August 23, 2000.

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

**JIM PETRO**  
Auditor of State

August 23, 2000







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
SEPTEMBER 12, 2000**