



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

---

**STATE OF OHIO**





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January 21, 2003

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Minster Local School District, Auglaize County, (the District), as of and for the year ended June 30, 2002, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Minster Local School District, Auglaize County, as of June 30, 2002, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the Government implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. Additionally, the School District changed its capital asset capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

December 16, 2002



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
UNAUDITED**

The discussion and analysis of the Minster Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2002 are as follows:

In total, the School District's net assets increased \$321 thousand. The primary increase in governmental activities increase can be attributed to capital assets.

The high school additions and renovations were completed during fiscal year 2002. The construction of the new middle school began during fiscal year 2002. The projects were funded with a general obligation bond issue that had been received during fiscal year 2001.

Unrestricted net assets decreased by \$390 thousand created from the School District expending carryover balances.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Minster Local School District's financial position.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the School District as a whole, presenting both an aggregate and a longer-term view of the 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 and what remains for future spending. Fund financial statements report the School District's most significant funds individually and the School District's non-major funds in a single column. The School District's major funds are the General, Bond Retirement debt service, and Building capital project funds.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

**Statement of Net Assets and Statement of Activities**

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2002. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
UNAUDITED**

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the School District's property tax base and the condition of the School District's capital assets (buildings and equipment). These factors must be considered when assessing the overall health of the School District.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Most of the School District's programs and services are reported here, including instruction, support services, non-instructional, and extracurricular expenditures. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

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

Governmental Funds - The School District's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's instructional operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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. These funds also use the accrual basis of accounting.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the School District's net assets for fiscal year 2002 compared to fiscal year 2001.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
UNAUDITED**

**Table I  
Net Assets  
(In thousands)**

	<b>Governmental Activities</b>	
	2002	2001
<u>Assets</u>		
Current and Other Assets	\$12,450	\$17,902
Capital Assets, Net	13,075	6,395
<b>Total Assets</b>	<b>25,525</b>	<b>24,297</b>
<u>Liabilities</u>		
Current and Other Liabilities	6,525	5,550
Long-Term Liabilities	15,134	15,202
<b>Total Liabilities</b>	<b>21,659</b>	<b>20,752</b>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	2,978	2,691
Restricted	1,474	1,050
Unrestricted	(586)	(196)
<b>Total Net Assets</b>	<b>\$3,866</b>	<b>\$3,545</b>

Total net assets for governmental activities increased \$321 thousand. This includes an increase in capital assets from the School District's construction phase that is still ongoing.

Table 2 reflects the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2  
Changes in Net Assets  
(In thousands)**

	<b>Governmental Activities</b>
	2002
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$426
Operating Grants, Contributions, and Interest	441
Capital Grants and Contributions	30
<b>Total Program Revenues</b>	<b>897</b>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
UNAUDITED**

**Table 2  
Changes in Net Assets  
(In thousands)**

General Revenues	
Property Taxes	\$4,919
Payment in Lieu of Taxes	5
Grants and Entitlements not Restricted to Specific Programs	1,952
Interest	449
Other Revenues	26
Total General Revenues	<u>7,351</u>
Total Revenues	<u>8,248</u>
<u>Program Expenses</u>	
Instruction	4,299
Support Services	2,250
Noninstructional	246
Extracurricular	335
Interest and Fiscal Charges	797
Total Expenses	<u>7,927</u>
Increase in Net Assets	<u><u>\$321</u></u>

The major program expenses for instruction are regular, special, and vocational instruction, which account for 54 percent of all governmental expenses. Support services, which includes administrative, fiscal, maintenance, and transportation expenses also represents a significant amount of the School District's governmental expenses, 28 percent. These two programs alone represent almost all of the general expenses of the School District and are funded almost entirely from property taxes and State shared revenues.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
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 tuition and fees, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to fiscal year 2001 have not been made since they are not available for this year.

**Table 3  
Governmental Activities  
(In Thousands)**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	2002	2002
Instruction	\$4,299	\$3,969
Support Services	2,250	2,040
Noninstructional	246	36
Extracurricular	335	188
Interest and Fiscal Charges	797	797
<b>Total Expenses</b>	<b>\$7,927</b>	<b>\$7,030</b>

It should be noted that for all governmental activities, over 89 percent of the revenues to provide these services are derived from the School District's general revenues; that being primarily property taxes and State shared revenues. The remaining 11 percent are derived from tuition and fees, specific grants, and donations.

**GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS**

The School District's major governmental funds are the General Fund, Bond Retirement debt service, and the Building capital projects funds. A review of these funds indicated that the School District had used carryover current assets to fund instructional services and continue their construction activity.

**BUDGETARY HIGHLIGHTS**

The School District prepares an annual budget of revenues and expenditures/expenses for all funds of the School District for use by School District officials and department heads and such other budgetary documents are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal due to the fine job by department heads in keeping within their budgets.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
UNAUDITED**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - The School District's investment in capital assets for governmental activities as of June 30, 2002, was \$2,977,766 (net of accumulated depreciation and related debt). This investment in capital assets includes land; buildings; improvements other than buildings; equipment; furniture and fixtures; and vehicles. There were significant additions to governmental activities capital assets during the year, almost entirely from the completion of the high school project and the continuing construction of the middle school and additions to the instructional buildings. Note 10 to the basic financial statements provides details on the capital asset activity during 2002.

The School District had one general obligation bond outstanding for \$14,712,015 of which all will be repaid from a 7.9 mill voted property tax levy.

In addition to the debt outlined above, the School District's long-term debt also includes compensated absences.

**CURRENT ISSUES**

The Minster Local School District is financially stable. However, future finances are not without challenges as our community changes and state funding is revised. Some of those challenges are in the future of State funding for schools in light of the ten year old DeRolph court case and the long-term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Laura S. Klosterman, Treasurer, 100 East 7th Street, Minster, Ohio 45865.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2002**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$835,639
Cash and Cash Equivalents with Fiscal Agent	386,820
Investments	6,037,295
Accounts Receivable	3,213
Accrued Interest Receivable	98,415
Intergovernmental	18,472
Prepaid Items	66,318
Property Taxes Receivable	5,004,587
Nondepreciable Capital Assets	7,503,278
Depreciable Capital Assets, Net	<u>5,570,831</u>
 Total Assets	 <u>25,524,868</u>
<b>Liabilities</b>	
Accrued Wages Payable	534,148
Accounts Payable	35,351
Contracts Payable	477,078
Due to Other Governments	175,145
Accrued Interest Payable	61,131
Retainage Payable	386,503
Deferred Revenue	4,855,561
Long-Term Liabilities	
Due Within One Year	255,419
Due in More Than One Year	<u>14,878,769</u>
 Total Liabilities	 <u>21,659,105</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,977,766
Restricted for:	
Capital Projects	1,179,363
Other Purposes	294,475
Unrestricted	<u>(585,841)</u>
 Total Net Assets	 <u><u>\$3,865,763</u></u>

*See accompanying notes to the basic financial statements.*





**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$376,443	\$171,145	\$44,239	\$243,812	\$835,639
Cash and Cash Equivalents with Fiscal Agent				317	317
Investments			6,037,295		6,037,295
Accounts Receivable				3,213	3,213
Accrued Interest Receivable			98,415		98,415
Interfund Receivable	3,403				3,403
Intergovernmental	11,730			6,742	18,472
Prepaid Items	64,422			1,896	66,318
Restricted Assets					
Cash and Cash Equivalents with Fiscal Agent			386,503		386,503
Property Taxes Receivable	3,928,715	993,378		82,494	5,004,587
<b>Total Assets</b>	<u>4,384,713</u>	<u>1,164,523</u>	<u>6,566,452</u>	<u>338,474</u>	<u>12,454,162</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accrued Wages Payable	526,870			7,278	534,148
Accounts Payable	27,367			7,984	35,351
Contracts Payable			477,078		477,078
Intergovernmental	128,709			2,889	131,598
Interfund Payable				3,403	3,403
Liabilities Payable from Restricted Assets					
Retainage Payable			386,503		386,503
Deferred Revenue	3,848,932	955,323	28,798	82,512	4,915,565
<b>Total Liabilities</b>	<u>4,531,878</u>	<u>955,323</u>	<u>892,379</u>	<u>104,066</u>	<u>6,483,646</u>
<b>Fund Balances</b>					
Reserved for Property Taxes	89,800	38,055		1,422	129,277
Reserved for Encumbrances	86,163		4,079,842	6,585	4,172,590
Unreserved, Reported in					
General Fund (Deficit)	(323,128)				(323,128)
Special Revenue Funds				135,925	135,925
Debt Service Funds		171,145			171,145
Capital Projects Funds			1,594,231	90,476	1,684,707
<b>Total Fund Balances</b>	<u>(147,165)</u>	<u>209,200</u>	<u>5,674,073</u>	<u>234,408</u>	<u>5,970,516</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$4,384,713</u>	<u>\$1,164,523</u>	<u>\$6,566,452</u>	<u>\$338,474</u>	<u>\$12,454,162</u>

*See accompanying notes to the basic financial statements.*

MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
June 30, 2002

Total Governmental Funds Balances	\$5,970,516
<b>Amounts reported for governmental activities on the statement of net assets are different because of the following:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,074,109
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds: Property Taxes Receivable Intergovernmental Receivable Accrued Interest Receivable	60,004
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds: Accrued Interest Payable Intergovernmental Payable Compensated Absences Payable General Obligation Bonds Payable	(15,238,866)
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$3,865,763</u></u></b>

*See accompanying notes to the basic financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED 30, 2002**

	<b>General</b>	<b>Bond Retirement</b>	<b>Building</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues</b>					
Property Taxes	\$3,848,920	\$984,497		\$81,115	\$4,914,532
Payment in Lieu of Taxes	5,000				5,000
Intergovernmental	2,083,618	83,157		229,069	2,395,844
Interest	32,612		443,018	3,125	478,755
Tuition and Fees	82,173			167,399	249,572
Extracurricular				111,685	111,685
Gifts and Donations	2,195			3,631	5,826
Other	79,520	2,701		12,132	94,353
<b>Total Revenues</b>	<b>6,134,038</b>	<b>1,070,355</b>	<b>443,018</b>	<b>608,156</b>	<b>8,255,567</b>
<b>Expenditures</b>					
Instruction:					
Regular	3,549,733			76,821	3,626,554
Special	329,009			97,211	426,220
Vocational	220,968				220,968
Adult/Continuing	2,050				2,050
Support Services:					
Pupils	299,397				299,397
Instructional Staff	224,937			24,892	249,829
Board of Education	34,569				34,569
Administrative	614,053			824	614,877
Fiscal	183,021	21,714		1,975	206,710
Operations	627,291			8,616	635,907
Transportation	186,988			243	187,231
Central	51,525			5,000	56,525
Noninstructional					
Extracurricular	189,085			248,226	248,226
Capital Outlay	9,467		6,540,215	105,490	6,655,172
Intergovernmental				54	54
Debt Service					
Principal Retirement		135,000			135,000
Interest and Fiscal Charges		736,538			736,538
<b>Total Expenditures</b>	<b>6,522,093</b>	<b>893,252</b>	<b>6,540,215</b>	<b>703,334</b>	<b>14,658,894</b>
Excess of Revenues Over (Under) Expenditures	(388,055)	177,103	(6,097,197)	(95,178)	(6,403,327)
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers - In			466	419	885
Transfers - Out	(466)			(419)	(885)
<b>Total Other Financing Sources (Uses)</b>	<b>(466)</b>		<b>466</b>		
<b>Net Change in Fund Balances</b>	<b>(388,521)</b>	<b>177,103</b>	<b>(6,096,731)</b>	<b>(95,178)</b>	<b>(6,403,327)</b>
Fund Balances (Deficit) at Beginning of Year (See Note 3)	241,356	32,097	11,770,804	329,586	12,373,843
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$147,165)</b>	<b>\$209,200</b>	<b>\$5,674,073</b>	<b>\$234,408</b>	<b>\$5,970,516</b>

See accompanying notes to the basic financial statements.

MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**Net Change in Fund Balances - Total Governmental Funds**

**Amounts reported for governmental activities on the statement of activities are different because of the following:**

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:

Capital Outlay - Construction in Progress	4,125,607
Capital Outlay - Depreciable Capital Assets	2,672,207
Depreciable Capital Assets Contributed	20,923
Depreciation	<u>(140,186)</u>

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	4,353
Intergovernmental	(521)
Interest	(28,827)
Tuition and Fees	(10,165)
Other	<u>6,586</u>

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.

Accretion

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of activities.

Accrued Interest Payable

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable  
Compensated Absences Payable

**Change in Net Assets of Governmental Activities**

*See accompanying notes to the basic financial statements.*

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Revenues:</b>				
Property Taxes	\$3,878,080	\$3,878,080	\$3,903,406	\$25,326
Payment in Lieu of Taxes	5,000		5,000	5,000
Intergovernmental	2,113,144	2,123,144	2,083,618	(39,526)
Interest	42,000	42,000	33,040	(8,960)
Tuition and Fees	32,300	63,000	82,473	19,473
Miscellaneous	32,100	97,100	98,276	1,176
Total Revenues	<u>6,102,624</u>	<u>6,203,324</u>	<u>6,205,813</u>	<u>2,489</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,212,300	3,558,512	3,537,605	20,907
Special	318,740	327,840	319,469	8,371
Vocational	210,635	218,635	224,016	(5,381)
Other	4,930	4,930	2,565	2,365
Support Services:				
Pupils	196,635	302,745	298,847	3,898
Instructional Staff	207,490	208,840	227,282	(18,442)
Board of Education	18,125	25,375	30,812	(5,437)
Administration	598,995	600,998	602,427	(1,429)
Fiscal	172,605	180,015	183,415	(3,400)
Operation of Maintenance of Plant	608,552	615,804	619,504	(3,700)
Pupil Transportation	178,528	264,378	252,777	11,601
Central	38,715	38,915	48,906	(9,991)
Extracurricular Activities	193,275	193,275	188,906	4,369
Capital Outlay	13,400	13,400	14,363	(963)
Total Expenditures	<u>5,972,925</u>	<u>6,553,662</u>	<u>6,550,894</u>	<u>2,768</u>
Excess of Revenues Over (Under) Expenditures	<u>129,699</u>	<u>(350,338)</u>	<u>(345,081)</u>	<u>5,257</u>
<b>Other Financing Sources (Uses):</b>				
Advances In			8,200	8,200
Advances Out			(3,403)	(3,403)
Transfers Out			(466)	(466)
Total Other Financing Sources (Uses)			<u>4,331</u>	<u>4,331</u>
Net Change in Fund Balance	129,699	(350,338)	(340,750)	9,588
Fund Balance at Beginning of Year	544,911	544,911	544,911	
Prior Year Encumbrances Appropriated	61,651	61,651	61,651	
Fund Balance at End of Year	<u>\$736,261</u>	<u>\$256,224</u>	<u>\$265,812</u>	<u>\$9,588</u>

See Accompanying Notes to the Basic Financial Statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2002**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,398	\$30,887
Investments	10,000	
Accrued Interest Receivable	58	
	<hr/>	<hr/>
Total Assets	12,456	<u>\$30,887</u>
<b>Liabilities</b>		
Due to Students		<hr/> \$30,887
Total Liabilities		<u>\$30,887</u>
<b>Net Assets</b>		
Held in Trust for Students	<hr/> 12,456	
Total Net Assets	<u>\$12,456</u>	

*See accompanying notes to the basic financial statements.*

MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**Additions**

Interest	\$343
Donations and Contributions	<u>8,300</u>
Total Additions	<u>8,643</u>

**Deductions**

Instruction	
Regular	8,657
Noninstructional	<u>400</u>
Total Deductions	9,057

Change in Net Assets	(414)
Net Assets Beginning of Year	<u>12,870</u>
Net Assets End of Year	<u><u>\$12,456</u></u>

*See accompanying notes to the basic financial statements.*

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**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District is staffed by thirty-one classified employees, sixty-five certified teaching personnel, and five administrative employees who provide services to 925 students and other community members. The School District currently operates three instructional/support buildings.

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Minster Local School District, this includes general operations, food service, and student related activities 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 participates in three jointly governed organizations and two insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Local Professional Development Committee, Mercer/Auglaize Employee Benefit Trust, Northwest Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Ohio School Board Association Workers' Compensation Group Rating Program, and the Ohio School Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District had three major governmental funds:

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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**

The Bond Retirement Fund is used to account for payment of debt related to the building capital projects fund.

**Building Capital Projects Fund**

The Building Capital Projects Fund is used to account for the debt proceeds and interest for construction of the class room wing and cafeteria addition at the high school, a new middle school, and renovations to the current junior high.

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

**2. Fiduciary Funds**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements**

All governmental 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. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**3. Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

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 governmental funds.

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. 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 has been established by the Board at the object level within each function and fund for the general fund and at the fund level for all other funds.

The certificate of estimated resources may be amended during the 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 final amended certificate of estimated resources issued during fiscal year 2002.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Investments**

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

During fiscal year 2002, investments were limited to non-negotiable certificates of deposit, treasury notes, federal agency securities, and mutual funds.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$32,612, which includes \$4,615 assigned from other School District funds.

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

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

Investments of the School District's 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.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. 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 enabling legislation. Restricted assets in the Building capital projects fund include amounts required by State statute to be set aside for retainage.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Capital Assets**

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. The School District does not have any infrastructure. Improvements are capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 – 40 years
Building and Building Improvements	5 – 100 years
Furniture, Fixtures, and Equipment	5 – 20 years
Vehicles	5 – 15 years

**J. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables".

**K. 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 the School District will compensate the employees for the benefits through time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 probable of receiving payment in the future. 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. The School District records a liability for accumulated unused sick leave for all employees after twenty years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**M. Fund Balance Reserves**

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

**O. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Estimates**

The preparation of 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.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

**A. Changes in Accounting Principles**

For fiscal year 2002, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For fiscal year 2002, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$500 to \$5,000.

**B. Restatement of Fund Equity**

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE  
(Continued)**

	<b>General</b>	<b>Bond Retirement</b>	<b>Building</b>	<b>Other Governmental</b>	<b>Total Governmental Activities</b>
Fund Balance June 30, 2001	\$213,014	\$32,097	\$11,770,804	\$254,936	\$12,269,793
GASB Statement No. 34 Adjustment:					
Change in Fund Structure	20,693	0	0	75,708	96,401
GASB Interpretation No. 6 Adjustment:					
Compensated Absences Payable	7,649	0	0	0	7,649
Adjusted Fund Balance	\$241,356	\$32,097	\$11,770,804	\$329,586	12,373,843
GASB Statement No. 34 Adjustments:					
Property Taxes Receivable					15,396
Tuition and Fees					10,165
Intergovernmental Receivable					1,961
Interest					57,625
Miscellaneous					3,431
Capital Assets					6,395,558
Compensated Absences Payable					(416,098)
Intergovernmental Payable					(49,100)
Accrued Interest Payable					(61,626)
General Obligation Bonds Payable					(14,786,262)
Governmental Activities Net Assets at June 30, 2001					\$3,544,893

The restatement of the business-type activity:

	<b>Business-Type Activity</b>
Fund equity June 30, 2001	\$133,847
Change in Fund Structure	(133,847)
Adjusted Net Assets at June 30, 2001	\$0

**4. ACCOUNTABILITY**

At June 30, 2002, the General Fund had a deficit fund balance of \$147,165, respectively, resulting from adjustments for accrued liabilities.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The major differences between the budget and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

<b>Net Change in Fund Balance</b>	
GAAP Basis	(\$388,521)
Nonbudgeted Cash Activity	428
Net Adjustment for Revenue Accruals	71,347
Net Adjustment for Expenditure Accruals	59,453
Prepaid Items	(442)
Materials and Supplies Inventory	19,169
Inventory Held for Resale	3,649
Advances - In	8,200
Advances - Out	(3,403)
Encumbrances Outstanding at Year End (Budget Basis)	(110,630)
Budget Basis	<u><u>(\$340,750)</u></u>

**6. DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 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  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

Interim monies 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee 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 \$120 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. DEPOSITS AND INVESTMENTS\_(Continued)**

At fiscal year end, the School District had \$317 in cash and cash equivalents held by the Auglaize County Educational Service Center, which is included on the balance sheet as “Cash and Cash Equivalents with Fiscal Agent”. The Educational Service Center holds this flow through money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

At fiscal year end, the carrying amount of the School District’s deposits was \$1,758,973 and the bank balance was \$1,659,876. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining amount of \$1,559,876 was covered by pledged securities held by the counterparty’s trust department.

The School District’s investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District’s name. STAR Ohio and investments in mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<b>Risk Category 2</b>	<b>Carrying/ Fair Value</b>
Federal Home Loan Bank Consolidated Bonds	\$1,621,130	\$1,621,130
Federal Farm Credit Bank Consolidated Bonds	505,155	505,155
Federal Home Loan Mortgage Corporate Debentures	465,424	465,424
Federal Home Mortgage Association:	413,105	413,105
Debentures	810,000	810,000
Medium Term Notes	1,108,061	1,108,061
U.S. Treasury Notes	1,114,420	1,114,420
Mutual Funds		(493,666)
<b>Total</b>	<b>\$6,037,295</b>	<b>\$5,543,629</b>

The classification of cash and cash equivalents and investments in the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”. A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,255,744	\$6,047,295
Cash on Hand	(120)	
Cash and Cash Equivalents with Auglaize County Educational Service Center	(317)	
Certificates of Deposit	10,000	(10,000)
Mutual Funds	493,666	(493,666)
GASB Statement No. 3	<u>\$1,758,973</u>	<u>\$5,543,629</u>

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of accounts (rent and student fees), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible within one year and in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	<u>\$11,730</u>
Other Governmental Funds	
Cafeteria Fund	1,899
Title VI	3,403
Title VI-B	1,440
Total Other Governmental Funds	<u>6,742</u>
Total Intergovernmental Receivables	<u>\$18,472</u>

**8. 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 in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, 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.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**8. PROPERTY TAXES (Continued)**

Public utility real and tangible personal property received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. 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 and is reflected as revenue at fiscal year end. The receivable is 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, 2002, was \$89,800 in the General Fund, \$38,055 in the Bond Retirement debt service fund, \$1,025 in the Permanent Improvement capital projects fund, and \$397 in the Recreation Fund. The amount available as an advance at June 30, 2001, was \$144,286 in the General Fund, \$40,240 in the Bond Retirement Fund, \$1,649 in the Permanent Improvement capital projects fund, and \$656 in the Recreation Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue is deferred.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	<b>2001 Second- Half Collections</b>		<b>2002 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$82,671,190	63.57%	\$84,397,410	62.63%
Public Utility	2,325,870	1.79%	1,557,220	1.16%
Tangible Personal	45,045,140	34.64%	48,800,360	36.21%
<b>Total Assessed Value</b>	<b>\$130,042,200</b>	<b>100.00%</b>	<b>\$134,754,990</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$47.07		\$47.07	

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**9. PAYMENT IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2002 were \$5,000.

**10. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$219,525	\$0	\$0	\$219,525
Construction in Progress	3,158,146	6,814,365	(2,688,758)	7,283,753
Total Nondepreciable Capital Assets	<u>3,377,671</u>	<u>6,814,365</u>	<u>(2,688,758)</u>	<u>7,503,278</u>
Depreciable Capital Assets				
Land Improvements	17,691	13,200	0	30,891
Buildings and Building Improvements	3,808,636	2,549,220	0	6,357,856
Furniture, Fixtures, and Equipment	317,568	42,059	(100,826)	258,801
Vehicles	508,538	88,651	(64,945)	532,244
Total Depreciable Capital Assets	<u>4,652,433</u>	<u>2,693,130</u>	<u>(165,771)</u>	<u>7,179,792</u>
Total Capital Assets at Historical Cost	<u>8,030,104</u>	<u>9,507,495</u>	<u>(2,854,529)</u>	<u>14,683,070</u>
Less Accumulated Depreciation				
Land Improvements	\$663	\$1,369	\$0	\$2,032
Buildings and Building Improvements	1,271,825	87,757	0	1,359,582
Furniture, Fixtures, and Equipment	170,954	17,649	(100,826)	87,777
Vehicles	191,104	33,411	(64,945)	159,570
Total Accumulated Depreciation	<u>1,634,546</u>	<u>140,186</u>	<u>(165,771)</u>	<u>1,608,961</u>
Depreciable Capital Assets, Net	<u>3,017,887</u>	<u>2,552,944</u>	<u>0</u>	<u>5,570,831</u>
Governmental Activities Capital Assets, Net	<u>\$6,395,558</u>	<u>\$9,367,309</u>	<u>(\$2,688,758)</u>	<u>\$13,074,109</u>



**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**10. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$61,467
Special	3,929
Vocational	3,642
Support Services:	
Pupils	1,719
Instructional Staff	4,824
Board	1,081
Administration	6,239
Fiscal	1,081
Operation and Maintenance of Plant	6,245
Pupil Transportation	29,838
Central	1,080
Non-Instructional Services	2,130
	4,308
Extracurricular Activities	12,603
Total Depreciation Expense	<u>\$140,186</u>

**11. INTERFUND ASSETS/LIABILITIES**

At June 30, 2002, the General Fund had an interfund receivable and the other governmental funds had an interfund payable, in the amount of \$3,403. The interfund payable existed in the Title VI special revenue fund that resulted from the provision of cashflow resources by the General Fund until the receipt of grant monies in that fund.

**12. 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 2002, the School District contracted with Nationwide Agribusiness Insurance for the following insurance coverage:

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

Peerless Insurance Company	
Buildings and Contents - replacement cost (\$1,000 deductible)	\$18,230,278
The Ohio Casualty Group	
Inland Marine Coverage (\$250 deductible)	127,495
Auto-Owners Mutual Insurance Company	
Automobile Liability	1,000,000
Medical Payments Per Person	5,000
Uninsured Motorists	1,000,000
Underinsured Motorists	1,000,000
Ohio School Plan	
General School District Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000
Twin City Fire Insurance Company	
Excess Liability Coverage	2,000,000

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 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 21). 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.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. The Plan makes a variety of insurance programs available to the members as well as administrative services of underwriting and claims and risk management. Each member determines the insurance programs in which it wants to participate and is responsible for payment of the related premiums. Membership is made upon the execution of an acknowledgment of membership and an enrollment fee is included in the annual premium for each member.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**13. CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
H.A. Dorsten Construction, Inc.	Minster Middle School	\$3,125,439
Area Energy & Electric Company	Minster Middle School	353,537
Regal Plumbing & Heating	Minster Middle School	481,725
A-1 Sprinkler	Minster Middle School	76,386
U.S. Foodservice	Minster Middle School	236,845
Farnham Equipment Company	Minster Middle School	265,500
Garmann/Miller Architects	Minster Middle School	54,836
Garmann/Miller Architects	Technology Package for Middle School	30,308
Cardinal Bus Sales and Service	Bus Purchase	59,448
AMP Microcomputer, Inc.	Telephone System	223,058

**14. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$325,852, \$311,921, and \$183,831, respectively; 80.4 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$55,979, is recorded as a liability.

**B. School Employees Retirement System**

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

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**14. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$31,648, \$22,075, and \$28,954, respectively; 45.46 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$17,259, is recorded as a liability.

**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, 2002, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**15. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$154,351.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**15. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 14.75 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$66,491 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**16. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may accumulate up to a maximum of two hundred ten days for teachers, administrators and classified personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of fifty-nine 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 five hours per day are entitled to full benefits under Plan B. If an employee elects Plan A, they must pay the premium difference between Plan A and Plan B. All other part-time employees receive the benefits which vary depending on the number of hours worked.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**17. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
2000 4.40-15.25%					
Term Bonds	\$9,850,000	\$0	\$0	\$9,850,000	\$0
Serial Bonds	3,845,000	0	135,000	3,710,000	135,000
Capital Appreciation Bonds	329,664	0	0	329,664	0
Face Value of General Obligation Bonds	14,024,664	0	135,000	13,889,664	315,000
Capital Appreciation Bonds Premium	761,598	60,753	0	822,351	(64,136)
Total General Obligation Bonds	14,786,262	60,753	135,000	14,712,015	250,864
Compensated Absences Payable	416,098	23,781	17,706	422,173	4,555
Total Governmental Activities Long-Term Liabilities	<u>\$15,202,360</u>	<u>\$84,534</u>	<u>\$152,706</u>	<u>\$15,134,188</u>	<u>\$255,419</u>

**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 includes term, serial, and capital appreciation bonds, in the amount of \$9,850,000, \$3,845,000, and \$329,664, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2028. The bonds are being retired from the debt service fund, with the proceeds of a 7.90 mill voted property tax levy.

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**17. LONG-TERM OBLIGATIONS (Continued)**

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

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

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

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

The serial bonds maturing on December 1, 2010, are subject to optional redemption, in whole or in part, on any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2002, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date:

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

The capital appreciation bonds will mature in fiscal years 2011 through 2014. The maturity amount of the bonds is \$2,080,000. For fiscal year 2002, \$60,753 was accreted for a total bond value of \$1,152,015.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was (\$1,590,906) with an unvoted debt margin of \$134,755 at June 30, 2002. On April 5, 1999, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative legal debt margin.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**17. LONG-TERM OBLIGATIONS\_(Continued)**

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2002, were as follows:

Fiscal Year Ending	General Obligation Bonds		
	Principal	Interest	Total
2003	\$315,000	\$726,480	\$1,041,480
2004	355,000	711,316	1,066,316
2005	375,000	694,615	1,069,615
2006	390,000	676,923	1,066,923
2007	410,000	658,220	1,068,220
2008-2012	1,966,732	3,398,840	5,365,572
2013-2017	1,377,932	4,062,293	5,440,225
2018-2022	3,315,000	2,029,952	5,344,952
2023-2027	4,420,000	939,876	5,359,876
2028	965,000	27,744	992,744
Totals	\$13,889,664	\$13,926,259	\$27,815,923

**18. 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 year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside; however, this has been approved by the Board to be used to purchase a school bus and has been encumbered.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2002.

	Capital		Totals
	Textbooks	Improvements	
Balance June 30, 2001	\$60,113	(\$13,937,817)	(\$13,877,704)
Current Year Set Aside Requirement	114,565	114,565	229,130
Current Year Offsets	0	(63,035)	(63,035)
Qualifying Expenditures	(218,819)	0	(218,819)
Amount Carried Forward to Fiscal Year 2002	(\$44,141)	(\$13,806,287)	(\$13,930,428)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside below zero. Expenditures in excess of current year or accumulated set-aside requirements in the textbooks set-aside may be carried forward to offset future years' requirements. Accumulated set-aside requirements from bond or note proceeds in the capital improvements set aside may be carried forward to offset future years' requirements.



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**19. INTERFUND TRANSFERS**

During fiscal year 2002, the General Fund made a transfer to the Capital Projects Fund, in the amount of \$466, to move interest receipts to the Bond Retirement debt service fund. During fiscal year 2002, the District Managed Fund made a transfer to the Public School Support Fund in the amount of \$419 to move vending machine receipts based on established policy.

**20. JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

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.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**20. JOINTLY GOVERNED ORGANIZATIONS\_(Continued)**

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.

**21. INSURANCE POOLS**

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

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

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

**Ohio School Plan** - The School District participates in the Ohio School Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. Each participant determines the programs offered by the Plan in which it will participate. Participation is by written acknowledgment of membership and payment of premiums. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**22. 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, 2002.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**22. CONTINGENCIES (Continued)**

**B. Litigation**

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

**23. STATE SCHOOL FUNDING DECISION**

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

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

**24. SUBSEQUENT EVENTS**

As of August 9, 2002, the above litigation addressed in Note 22-B has been settled out of court with settlement costs covered by the School District's fleet insurance.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the basic financial statements of Minster Local School District, Auglaize County, (the School District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002, wherein we note the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* and changed its capital asset capitalization threshold as described in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

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

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

**Jim Petro**  
Auditor of State

December 16, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
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  
FEBRUARY 6, 2003**