

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015***

**LAURA KLOSTERMAN, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Minster Local School District, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 10, 2016

**This page intentionally left blank.**

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis .....	13
Statement of Activities - Cash Basis .....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds .....	15
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds .....	16
Statement of Cash Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budget Basis - General Fund .....	17
Statement of Fiduciary Net Position - Cash Basis - Fiduciary Fund .....	18
Notes to the Basic Financial Statements.....	19 - 46
Other Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	47
State Teachers Retirement System (STRS) of Ohio .....	48
Schedule of School District Contributions:	
School Employees Retirement System (SERS) of Ohio .....	49 - 50
State Teachers Retirement System (STRS) of Ohio .....	51 - 52
Notes to Other Information .....	53
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	54 - 55

**This page intentionally left blank.**



# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

## Independent Auditor's Report

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Minster Local School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District, Auglaize County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

***Other Information***

We applied no procedures to the Management's Discussion & Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Minster Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minster Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 30, 2015



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's discussion and analysis of the Minster Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2015, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- The total net cash position of the School District increased \$680,747 or 23.70% from fiscal year 2014.
- General cash receipts accounted for \$19,063,293 or 94.34% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,142,887 or 5.66% of total governmental activities cash receipts.
- The School District had \$19,525,433 in cash disbursements related to governmental activities; \$1,142,887 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The School District's major funds are the general fund and the bond retirement fund. The general fund had cash receipts of \$9,412,783 in 2015. The cash disbursements of the general fund totaled \$9,131,822 in 2015. The general fund's cash balance increased \$280,961 or 14.61% from 2014 to 2015.
- The bond retirement fund had cash receipts and other financing sources of \$10,003,078 in 2015. The cash disbursements and other financing uses of the bond retirement fund totaled \$9,690,273 in 2015. The bond retirement fund's cash balance increased \$312,805 or 40.66% from 2014 to 2015.

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

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

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

**Reporting the School District as a Whole**

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

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2015?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund. The analysis of the School District's major governmental fund begins on page 9.

***Governmental Funds***

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

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

***Fiduciary Funds***

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

The School District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position cash basis and changes in fiduciary net position cash basis on page 18. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-46 of this report.

**Government-Wide Financial Analysis**

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

The table below provides a summary of the School District's net cash position at June 30, 2015 and June 30, 2014.

	<b>Net Cash Position</b>	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 3,553,329	\$ 2,872,582
Total assets	<u>3,553,329</u>	<u>2,872,582</u>
<u>Net Cash Position</u>		
Restricted	1,361,516	960,017
Unrestricted	<u>2,191,813</u>	<u>1,912,565</u>
Total net cash position	<u>\$ 3,553,329</u>	<u>\$ 2,872,582</u>

The total net cash position of the School District increased \$680,747 which represents a 23.70% increase from fiscal year 2014. The balance of government-wide unrestricted net cash position of \$2,191,813 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The table below shows the changes in net cash position for fiscal year 2015 and 2014.

	<b>Change in Net Cash Position</b>	
	Governmental Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 562,814	\$ 506,804
Operating grants and contributions	580,073	613,455
Capital grants and contributions	<u>-</u>	<u>5,300</u>
Total program cash receipts	<u>1,142,887</u>	<u>1,125,559</u>
General cash receipts:		
Property and other taxes	5,917,840	5,955,120
Unrestricted grants:		
Operating	4,145,880	3,946,131
Proceeds of refunding bonds issued	8,410,000	-
Premium on refunding bonds issued	351,240	-
Investment earnings	10,565	6,370
Other	<u>227,768</u>	<u>165,569</u>
Total general cash receipts	<u>19,063,293</u>	<u>10,073,190</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Change in Net Cash Position**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 4,662,938	\$ 4,460,325
Special	685,894	627,828
Vocational	162,145	173,201
Support services:		
Pupil	671,132	780,987
Instructional staff	281,298	230,919
Board of education	27,686	26,527
Administration	502,274	523,839
Fiscal	235,866	273,203
Operations and maintenance	1,445,073	847,285
Pupil transportation	404,721	227,185
Central	20,177	17,365
Operation of non instructional services	7,660	-
Food service operations	346,976	357,277
Extracurricular	371,248	365,706
Facilities acquisition and construction	20,543	64,169
Debt service:		
Principal retirement	79,632	82,864
Interest and fiscal charges	838,930	974,955
Payment to refunded bond escrow	8,636,409	-
Refunding bond issuance costs	<u>124,831</u>	<u>-</u>
Total cash disbursements	<u>19,525,433</u>	<u>10,033,635</u>
Change in net cash position	680,747	1,165,114
Net cash position at beginning of year	<u>2,872,582</u>	<u>1,707,468</u>
Net cash position at end of year	<u>\$ 3,553,329</u>	<u>\$ 2,872,582</u>

**Governmental Activities**

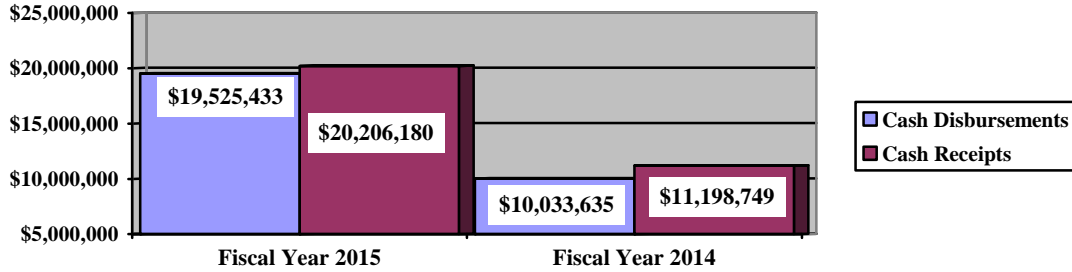
Governmental net cash position increased by \$680,747 in 2015 from 2014. Total governmental disbursements of \$19,525,433 were offset by program receipts of \$1,142,887 and general receipts of \$19,063,293. Program receipts supported 5.85% of the total governmental disbursements. The largest governmental disbursement was instructional which totaled \$5,510,977.

The primary sources of receipts for governmental activities are derived from taxes, unrestricted grants and entitlements and bond refunding issuance and premiums. These receipt sources represent 93.16% of total governmental receipts. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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



**Governmental Activities**

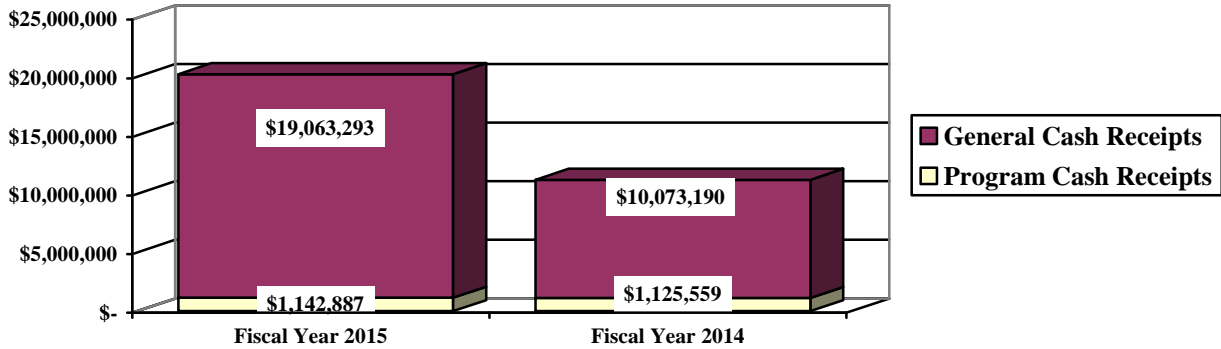
	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 4,662,938	\$ 4,550,286	\$ 4,460,325	\$ 4,328,394
Special	685,894	229,929	627,828	180,049
Vocational	162,145	121,665	173,201	129,281
Support services:				
Pupil	671,132	671,132	780,987	780,987
Instructional staff	281,298	273,802	230,919	228,801
Board of education	27,686	27,686	26,527	26,527
Administration	502,274	501,592	523,839	523,132
Fiscal	235,866	235,866	273,203	273,203
Operations and maintenance	1,445,073	1,438,664	847,285	839,981
Pupil transportation	404,721	397,642	227,185	220,431
Central	20,177	20,177	17,365	13,765
Operation of non instructional services	7,660	7,660	-	-
Food service operations	346,976	(28,508)	357,277	(12,341)
Extracurricular	371,248	234,608	365,706	253,878
Facilities acquisition and construction	20,543	20,543	64,169	64,169
Debt service:				
Principal retirement	79,632	79,632	82,864	82,864
Interest and fiscal charges	838,930	838,930	974,955	974,955
Payment to refunded bond escrow	8,636,409	8,636,409	-	-
Refunding bond issuance costs	124,831	124,831	-	-
<b>Total</b>	<b>\$ 19,525,433</b>	<b>\$ 18,382,546</b>	<b>\$ 10,033,635</b>	<b>\$ 8,908,076</b>

The dependence upon general cash receipts for governmental activities is apparent; with 94.15% of cash disbursements supported through general cash receipts during 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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



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

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

**Governmental Funds**

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

The School District's governmental funds reported a combined fund cash balance of \$3,553,329, which is \$680,747 higher than last year's total of \$2,872,582. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2015</u>	Fund Cash Balance <u>June 30, 2014</u>	<u>Increase</u>
General	\$ 2,203,602	\$ 1,922,641	\$ 280,961
Bond retirement fund	1,082,113	769,308	312,805
Other nonmajor governmental funds	<u>267,614</u>	<u>180,633</u>	<u>86,981</u>
Total	<u>\$ 3,553,329</u>	<u>\$ 2,872,582</u>	<u>\$ 680,747</u>

**General Fund**

The School District's major funds are the general fund and the bond retirement fund. The general fund had cash receipts of \$9,412,783 in 2015. The cash disbursements of the general fund totaled \$9,131,822 in 2015. The general fund's cash balance increased \$280,961 or 14.61% from 2014 to 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 4,981,729	\$ 5,062,435	(1.59) %
Tuition and fees	118,215	101,867	16.05 %
Earnings on investments	10,565	6,370	65.86 %
Other local receipts	227,574	176,217	29.14 %
Intergovernmental	<u>4,074,700</u>	<u>3,889,177</u>	4.77 %
Total	<u>\$ 9,412,783</u>	<u>\$ 9,236,066</u>	1.91 %

Overall, general fund cash receipts remained consistent with prior year, with an increase of 1.91%. The increase in tuition and fees of 16.05% was due to an increase in class fees and JV52 and SF6 foundation receipts. The increase in other local receipts of 29.14% was due mainly to an increase in miscellaneous receipts. All other receipts remained consistent with prior year.

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

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 5,308,376	\$ 5,118,299	3.71 %
Support services	3,546,180	2,812,058	26.11 %
Extracurricular	261,465	251,626	3.91 %
Facilities acquisition and construction	9,063	-	100.00 %
Debt service	<u>6,738</u>	<u>-</u>	100.00 %
Total	<u>\$ 9,131,822</u>	<u>\$ 8,181,983</u>	11.61 %

The increase in support service disbursements of 26.11% was due mainly to an increase in operations and maintenance disbursements. All other disbursements remained consistent with prior year.

***Bond Retirement Fund***

The bond retirement fund had cash receipts and other financing sources of \$10,003,078 in 2015. The cash disbursements and other financing uses of the bond retirement fund totaled \$9,690,273 in 2015. The bond retirement fund's cash balance increased \$312,805 or 40.66% from 2014 to 2015.

***Budgeting Highlights - General Fund***

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

For the general fund, final budgetary basis receipts and other financing sources of \$9,132,011 were higher than the original budget estimates and other financing sources of \$8,838,645. Actual cash receipts and other financing sources of \$9,340,801 were higher than final budget estimates and other financing sources by \$208,790.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The final budgetary disbursement and other financing uses of \$9,413,607 were higher than original budgetary basis disbursements and other financing uses of \$9,221,356. The actual budgetary basis disbursements and other financing uses of \$9,353,358 were \$60,249 less than the final budget estimates.

**Capital Assets and Debt Administration**

*Capital Assets*

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$20,543 during fiscal year 2015.

*Debt Administration*

At June 30, 2015, the School District had \$8,483,356 in general obligation refunding bonds outstanding and 54,204 in capital lease obligations outstanding. Of this total \$155,944 is due within one year and \$8,381,616 is due in more than one year.

The following table summarizes the obligations outstanding.

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation refunding bonds	\$ 8,483,356	\$ 8,597,683
Capital lease obligations	<u>54,204</u>	<u>-</u>
Total long-term obligations	<u>\$ 8,537,560</u>	<u>\$ 8,597,683</u>

Refer to Note 14 to the basic financial statements for further detail.

**Current Financial Related Activities**

During fiscal year 2014, the Board of Education and the Minister Teacher's Association approved a three-year contract. The economic package included raises of the base salary of 2 percent, 2.5 percent, and 2 percent for contract years 2015, 2016 and 2017, respectively. The employees covered under the alternate PPO health insurance, high deductible health plan, and minimum value HDHP coverage's will pay 5 percent, 7 percent and 10 percent, respectively. The Mercer-Auglaize Area School Employee Welfare Benefit Trust board voted to offer one dental plan, effective January 1, 2015.

In July 2014, the Board of Education adopted a new salary schedule for classified employees. If the adoption of the new schedule creates a reduction in salary, the employee will remain on the old schedule. All those benefitting from the new salary schedule and all new hires will be on the new salary schedule.

As of August 18, 2014, eleven teachers were given pay increases for continuing education. Ten of the eleven teachers moved from the Masters plus fifteen hours scale and one teacher moved to the Masters plus thirty hours pay scale.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The School District entered into several contracts by the end of the fiscal year: renovate a restroom and the gym entrance at the Jr./Sr. high schools, install cameras to the interior and exterior of both buildings, installed wireless infrastructure throughout the School District, replacing windows to the west end Jr./Sr. high school, and replace the west entrance doorway with a double entry set of doors. The School District plans to begin one to one technology in the classrooms beginning with 2016-2017 school year. The School District will also purchase a new bus in the 2015-16 school year.

In October 2015, the School District received notice from Ohio Facilities Construction Commission (formerly OSFC) that the School District qualified for funding for new construction/renovation. The School District was part of the Expedited Local Partnership Program (ELPP) during the construction of the now elementary building earning \$6.8 million of credit toward any project. The School District is currently awaiting the results of the master plan to determine the projects to be completed to the Jr./Sr. high school.

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

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

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,553,329
 Total assets. . . . .	 \$ 3,553,329
 <b>Net position:</b>	
Restricted for:	
Capital projects . . . . .	60,657
Debt service. . . . .	1,082,113
Federally funded programs . . . . .	1,200
Student activities . . . . .	41,671
Other purposes . . . . .	175,875
Unrestricted . . . . .	2,191,813
 Total net position. . . . .	 \$ 3,553,329

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Change in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,662,938	\$ 102,878	\$ 9,774	\$ (4,550,286)
Special . . . . .	685,894	13,380	442,585	(229,929)
Vocational . . . . .	162,145	1,957	38,523	(121,665)
Support services:				
Pupil . . . . .	671,132	-	-	(671,132)
Instructional staff . . . . .	281,298	-	7,496	(273,802)
Board of education . . . . .	27,686	-	-	(27,686)
Administration . . . . .	502,274	-	682	(501,592)
Fiscal . . . . .	235,866	-	-	(235,866)
Operations and maintenance . . . . .	1,445,073	5,756	653	(1,438,664)
Pupil transportation . . . . .	404,721	-	7,079	(397,642)
Central . . . . .	20,177	-	-	(20,177)
Operation of non-instructional services:				
Other non-instructional services . . . . .	7,660	-	-	(7,660)
Food service operations . . . . .	346,976	305,428	70,056	28,508
Extracurricular activities . . . . .	371,248	133,415	3,225	(234,608)
Facility acquisition and construction . . . . .	20,543	-	-	(20,543)
Debt service:				
Principal retirement . . . . .	79,632	-	-	(79,632)
Interest and fiscal charges . . . . .	838,930	-	-	(838,930)
Payment to refunded bond escrow agent . . . . .	8,636,409	-	-	(8,636,409)
Refunding bond issuance costs . . . . .	124,831	-	-	(124,831)
<b>Total governmental activities . . . . .</b>	<b>\$ 19,525,433</b>	<b>\$ 562,814</b>	<b>\$ 580,073</b>	<b>(18,382,546)</b>
<b>General receipts:</b>				
Property taxes levied for:				
General purposes . . . . .				3,392,541
Debt service . . . . .				893,676
Permanent improvements . . . . .				30,573
Recreation . . . . .				11,862
Income taxes levied for:				
General purposes . . . . .				1,543,743
Payments in lieu of taxes . . . . .				45,445
Grants and entitlements not restricted to specific programs . . . . .				
				4,145,880
Investment earnings . . . . .				10,565
Refunding bonds issued . . . . .				8,410,000
Premium on refunding bonds issued . . . . .				351,240
Miscellaneous . . . . .				227,768
<b>Total general receipts . . . . .</b>				<b>19,063,293</b>
Change in net position . . . . .				680,747
<b>Net cash position at beginning of year . . . . .</b>				<b>2,872,582</b>
<b>Net cash position at end of year . . . . .</b>				<b>\$ 3,553,329</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,200,899	\$ 1,082,113	\$ 267,614	\$ 3,550,626
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	2,703	-	-	2,703
Total cash assets . . . . .	<u>\$ 2,203,602</u>	<u>\$ 1,082,113</u>	<u>\$ 267,614</u>	<u>\$ 3,553,329</u>
<b>Fund cash balances:</b>				
Nonspendable:				
Unclaimed monies . . . . .	2,703	-	-	2,703
Restricted:				
Debt service . . . . .	-	1,082,113	-	1,082,113
Capital improvements . . . . .	-	-	60,657	60,657
Food service operations . . . . .	-	-	122,940	122,940
Other purposes . . . . .	-	-	51,432	51,432
Extracurricular . . . . .	-	-	41,671	41,671
Assigned:				
Student instruction . . . . .	41,046	-	-	41,046
Student and staff support . . . . .	26,303	-	-	26,303
Facilities acquisition and construction . . . . .	212,102	-	-	212,102
Other purposes . . . . .	26,426	-	-	26,426
Unassigned (deficit) . . . . .	1,895,022	-	(9,086)	1,885,936
Total fund balances . . . . .	<u>\$ 2,203,602</u>	<u>\$ 1,082,113</u>	<u>\$ 267,614</u>	<u>\$ 3,553,329</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,392,541	\$ 893,676	\$ 42,435	\$ 4,328,652
Income taxes . . . . .	1,543,743	-	-	1,543,743
Payment in lieu of taxes . . . . .	45,445	-	-	45,445
Tuition . . . . .	50,473	-	-	50,473
Earnings on investments . . . . .	10,565	-	30	10,595
Charges for services . . . . .	-	-	308,275	308,275
Extracurricular . . . . .	-	-	133,415	133,415
Classroom materials and fees . . . . .	67,742	-	-	67,742
Rental income . . . . .	2,909	-	-	2,909
Contributions and donations . . . . .	24,026	-	10,550	34,576
Other local revenues . . . . .	200,639	3,103	50	203,792
Intergovernmental - state . . . . .	4,074,700	345,059	26,855	4,446,614
Intergovernmental - federal . . . . .	-	-	268,709	268,709
Total cash receipts . . . . .	<u>9,412,783</u>	<u>1,241,838</u>	<u>790,319</u>	<u>11,444,940</u>
<b>Cash Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	4,652,324	-	10,614	4,662,938
Special . . . . .	493,907	-	191,987	685,894
Vocational . . . . .	162,145	-	-	162,145
Support services:				
Pupil . . . . .	671,132	-	-	671,132
Instructional staff . . . . .	266,860	-	14,438	281,298
Board of education . . . . .	27,686	-	-	27,686
Administration . . . . .	500,376	-	1,898	502,274
Fiscal . . . . .	217,864	17,209	793	235,866
Operations and maintenance . . . . .	1,437,364	-	7,709	1,445,073
Pupil transportation . . . . .	404,721	-	-	404,721
Central . . . . .	20,177	-	-	20,177
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	-	-	7,660	7,660
Food service operations . . . . .	-	-	346,976	346,976
Extracurricular activities . . . . .	261,465	-	109,783	371,248
Facilities acquisition and construction . . . . .	9,063	-	11,480	20,543
Debt service:				
Principal retirement . . . . .	5,305	74,327	-	79,632
Interest and fiscal charges . . . . .	1,433	837,497	-	838,930
Refunding bond issuance costs . . . . .	-	124,831	-	124,831
Total cash disbursements . . . . .	<u>9,131,822</u>	<u>1,053,864</u>	<u>703,338</u>	<u>10,889,024</u>
Excess of receipts over disbursements . . . . .	<u>280,961</u>	<u>187,974</u>	<u>86,981</u>	<u>555,916</u>
<b>Other financing sources (uses):</b>				
Premium on refunding bonds issued . . . . .	-	351,240	-	351,240
Refunding bonds issued . . . . .	-	8,410,000	-	8,410,000
Payment to refunded bond escrow agent . . . . .	-	(8,636,409)	-	(8,636,409)
Total other financing sources (uses) . . . . .	<u>-</u>	<u>124,831</u>	<u>-</u>	<u>124,831</u>
Net change in fund balances . . . . .	280,961	312,805	86,981	680,747
<b>Fund balances at beginning of year . . . . .</b>	<u>1,922,641</u>	<u>769,308</u>	<u>180,633</u>	<u>2,872,582</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,203,602</u>	<u>\$ 1,082,113</u>	<u>\$ 267,614</u>	<u>\$ 3,553,329</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,354,396	\$ 3,462,087	\$ 3,392,541	\$ (69,546)
Income taxes. . . . .	1,528,412	1,577,415	1,543,743	(33,672)
Tuition. . . . .	51,451	53,053	50,472	(2,581)
Earnings on investments . . . . .	9,895	10,230	10,565	335
Classroom materials and fees . . . . .	33,661	34,745	34,160	(585)
Rental income . . . . .	2,871	2,963	2,909	(54)
Contributions and donations . . . . .	20,550	21,253	22,121	868
Other local revenues . . . . .	76,067	79,576	110,556	30,980
Intergovernmental - state . . . . .	3,662,310	3,791,657	4,074,702	283,045
Total budgetary basis receipts . . . . .	<u>8,739,613</u>	<u>9,032,979</u>	<u>9,241,769</u>	<u>208,790</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	6,899,968	7,044,826	4,472,111	2,572,715
Special. . . . .	50	589	493,907	(493,318)
Vocational. . . . .	1,072	1,252	165,060	(163,808)
Support services:				
Pupil. . . . .	1,481,648	1,495,733	671,432	824,301
Instructional staff . . . . .	16,684	16,975	267,035	(250,060)
Board of education . . . . .	140	169	26,564	(26,395)
Administration. . . . .	713	1,239	481,875	(480,636)
Fiscal . . . . .	110,865	111,103	218,103	(107,000)
Operations and maintenance. . . . .	514,473	544,981	1,454,365	(909,384)
Pupil transportation . . . . .	7,225	7,674	411,771	(404,097)
Central. . . . .	-	22	20,177	(20,155)
Extracurricular activities. . . . .	-	285	261,275	(260,990)
Facilities acquisition and construction . . . . .	-	241	221,165	(220,924)
Total budgetary basis disbursements . . . . .	<u>9,032,838</u>	<u>9,225,089</u>	<u>9,164,840</u>	<u>60,249</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>(293,225)</u>	<u>(192,110)</u>	<u>76,929</u>	<u>269,039</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	35,817	35,817	35,817	-
Transfers in . . . . .	56,165	56,165	56,165	-
Transfers (out). . . . .	(188,518)	(188,518)	(188,518)	-
Sale of assets . . . . .	7,050	7,050	7,050	-
Total other financing sources (uses) . . . . .	<u>(89,486)</u>	<u>(89,486)</u>	<u>(89,486)</u>	<u>-</u>
Net change in fund balance . . . . .	(382,711)	(281,596)	(12,557)	269,039
<b>Fund balance at</b>				
<b>beginning of year (restated) . . . . .</b>	1,210,882	1,210,882	1,210,882	-
<b>Prior year encumbrances appropriated . . . . .</b>	679,419	679,419	679,419	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,507,590</u>	<u>\$ 1,608,705</u>	<u>\$ 1,877,744</u>	<u>\$ 269,039</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2015

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 57,392
Total assets. . . . .	\$ 57,392
<b>Net Position:</b>	
Held for student activities . . . . .	\$ 52,316
Undistributed assets . . . . .	5,076
Total net position . . . . .	\$ 57,392

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

The School District serves an area of approximately thirty square miles. It is located in Auglaize, Darke, Mercer, and Shelby Counties. The School District is the 398 largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 30 classified employees, 60 certified teaching personnel, and 4 administrative employees who provide services to 853 students and other community members. The School District currently operates two school buildings.

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

**A. Reporting Entity**

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**B. Basis of Presentation**

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

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

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The School District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**D. Basis of Accounting**

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

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

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

**E. Budgetary Process**

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

**F. Cash and Investments**

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

During fiscal year 2015, the School District's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 was \$10,565, which includes \$4,016 assigned from other School District funds.

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**G. Restricted Assets**

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

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

**H. Capital Assets**

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

**I. Compensated Absences**

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

**J. Long-Term Obligations**

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

**K. Net Position**

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

**L. Fund Balance**

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

**M. Interfund Activity**

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**N. Pensions**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the School District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the School District's pension plan disclosures, as presented in Note 10 to the financial statements.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the School District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I, disadvantaged children	\$ 90
Improving teacher quality	8,996

The general fund is liable for any deficit in these funds and provides transfers when cash is required.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

**A. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all School District deposits was \$3,610,721. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2015, \$3,226,853 of the School District's bank balance of \$3,658,658 was exposed to custodial risk as discussed below, while \$431,805 was covered by the FDIC.

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and Investments per note</u>	
Carrying amount of deposits	<u>\$ 3,610,721</u>
 <u>Cash and Investments per Statement of Net Position - Cash Basis</u>	
Governmental activities	\$ 3,553,329
Agency funds	<u>57,392</u>
Total	<u>\$ 3,610,721</u>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - INCOME TAXES**

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Auglaize, Darke, Mercer and Shelby Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 125,156,340	98.99	\$ 137,334,980	99.04
Public utility personal	<u>1,282,480</u>	<u>1.01</u>	<u>1,336,030</u>	<u>0.96</u>
Total	<u>\$ 126,438,820</u>	<u>100.00</u>	<u>\$ 138,671,010</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 53.17		\$ 53.17	

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

According to State law, the Village of New Bremen has entered into a Community Reinvestment Area agreement with one of property owner under which the Village has granted property tax exemptions to that property owner. The property owner has agreed to make payments to the Village which reflect all or a portion of the property taxes which the property owner would have paid if their taxes had not been exempted. The agreement requires a portion of these payments to be made to the School District. The property owner contractually promises to make these payments in lieu of taxes until the agreement expires.

**NOTE 8 - INTERFUND BALANCES**

At June 30, 2015, the General Fund had an unpaid interfund cash advance, in the amount of \$3,700, from other governmental funds to provide cash flow resources until the receipt of district managed student activities receipts.

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$5,000,000
Aggregate	7,000,000
Automobile Liability	5,000,000
Building and Contents	41,450,790
Earthquake	20,000,000

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

For fiscal year 2015, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$103,794 for fiscal year 2015.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$541,528 for fiscal year 2015.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,362,102	\$ 8,779,955	\$ 10,142,057
Proportion of the net pension liability	0.02691400%	0.03609665%	

***Actuarial Assumptions - SERS***

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

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 100.00 %	



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 1,943,315	\$ 1,362,102	\$ 873,252

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease	Current	1% Increase
	(6.75%)	Discount Rate (7.75%)	(8.75%)
School District's proportionate share of the net pension liability	\$ 12,569,462	\$ 8,779,955	\$ 5,575,306

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$13,318.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$21,208, \$20,250, and \$20,525, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$36,765, and \$36,311 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)**

**C. Separation Benefit**

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

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

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

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

In fiscal year 2015, the School District entered into capital leases for copiers. The terms of each lease agreement provide an option to purchase the copier. These leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service disbursements in the statement of cash receipts, cash disbursements and changes in fund cash balances - governmental funds. These disbursements are reflected as program/function disbursements on a budgetary basis. Principal payments in the 2015 fiscal year totaled \$5,305. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 13,476
2017	13,476
2018	13,476
2019	13,476
2020	<u>6,738</u>
Total minimum lease payments	60,642
Less: amount representing interest	<u>(6,438)</u>
Total	<u>\$ 54,204</u>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 14 - LONG-TERM OBLIGATIONS**

The table that follows summarizes the changes in the School District's long-term obligations during fiscal year 2015.

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
<b>Governmental Activities:</b>					
Series 2000 school improvement bonds:					
Capital appreciation bonds	\$ 65,125	\$ -	\$ (65,125)	\$ -	\$ -
Series 2005 school improvement refunding bonds:					
Current interest bonds	3,600,000	-	(3,600,000)	-	-
Term bonds	4,850,000	-	(4,850,000)	-	-
Capital appreciation bonds	82,558	-	(9,202)	73,356	29,928
Series 2015 school improvement refunding bonds:					
Current interest bonds	-	8,410,000	-	8,410,000	115,000
Capital lease obligation	-	59,509	(5,305)	54,204	11,016
<b>Total governmental activities</b>	<b>\$ 8,597,683</b>	<b>\$ 8,469,509</b>	<b>\$ (8,529,632)</b>	<b>\$ 8,537,560</b>	<b>\$ 155,944</b>

2000 School Improvement General Obligation Bonds - On October 1, 2000, the School District issued \$14,024,664 in voted general obligation bonds for constructing and equipping a middle school, constructing additions to, renovating, and improving existing school buildings and facilities, and acquiring land. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$9,850,000, \$3,845,000, and \$329,664, respectively. The bonds were issued for a twenty-seven year period, with final maturity during fiscal year 2028. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. During fiscal year 2005, the School District refunded \$9,850,000 in term bonds. The serial bonds were fully paid in fiscal year 2011.

The capital appreciation bonds matured in fiscal year 2015. The maturity amount for the bonds was \$520,000.

2005 School Improvement Refunding General Obligation Bonds - On April 13, 2005, the School District issued \$9,849,991 in general obligation bonds to refund \$9,850,000 in term bonds of the 2000 School Improvement general obligation bonds. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$4,910,000, \$4,850,000, and \$89,991, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2028. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.9 mill voted property tax levy. As of June 30, 2015, all of the 2000 refunded bonds were paid.

On March 11, 2015, the School District issued the 2015 School Improvement General Obligation Bonds to refund \$3,600,000 and \$4,850,000 of the Series 2005 School Improvement Refunding General Obligation current interest and term bonds, respectively. The capital appreciation bonds will mature in fiscal years 2016 through 2018. The maturity amount on the capital appreciation bonds is \$2,175,000 at June 30, 2015.

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

2015 School Improvement Refunding General Obligation Bonds - On March 11, 2015, the School District issued \$8,410,000 in school improvement general obligation refunding bonds to advance refund \$8,450,000 of the school improvement bonds dated April 13, 2005. The debt issue is comprised of current interest serial bonds (par value \$8,410,000). The interest rate on the current interest serial bonds ranges from 2.00 – 3.5 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final maturity state in the issue is December 1, 2027. The net proceeds of the 2015 school improvement refunding bonds related to the advance refunding portion have been invested in obligations guaranteed as to both principal and interest by the United State Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The 2005 refunded bonds, have an outstanding balance of \$8,450,000 at June 30, 2015.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year Ending June 30,	<u>Series 2005 School Improvement Bonds</u>	
	<u>Capital Appreciation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 29,928	\$ 695,072
2017	22,149	702,851
2018	<u>21,279</u>	<u>703,721</u>
Total	<u>\$ 73,356</u>	<u>\$ 2,101,644</u>

Fiscal Year Ending June 30,	<u>Series 2015 School Improvement Refunding Bonds</u>	
	<u>Current Interest Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 115,000	\$ 168,200
2017	35,000	165,900
2018	35,000	165,200
2019	740,000	246,750
2020	745,000	149,700
2021 - 2025	4,060,000	681,800
2026 - 2028	<u>2,680,000</u>	<u>180,550</u>
Total	<u>\$ 8,410,000</u>	<u>\$ 1,758,100</u>

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

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$3,727,502 (including available funds of \$1,082,113) and an unvoted debt margin of \$138,671.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

	<b>Net Change in Fund Balance</b>	
	General	
Budget basis	\$	(12,557)
Funds budgeted elsewhere		15,465
Adjustment for encumbrances		278,053
Cash basis	\$	280,961



**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**NOTE 16 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	147,142
Current year qualifying disbursements	-
Current year offsets	(147,142)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

**B. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2015, the School District paid \$56,751 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**C. Auglaize County Educational Academy**

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

**NOTE 18 - INSURANCE POOLS**

**A. Ohio School Plan**

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

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

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

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

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

**B. Litigation**

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

**MINSTER LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 19 - CONTINGENCIES - (Continued)**

**C. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time.

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

**This page intentionally left blank.**

**OTHER INFORMATION**

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

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
School District's proportion of the net pension liability	0.02691400%	0.02691400%
School District's proportionate share of the net pension liability	\$ 1,362,102	\$ 1,600,489
School District's covered-employee payroll	\$ 782,071	\$ 611,590
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	261.69%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.



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

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
School District's proportion of the net pension liability	0.03609665%	0.03609665%
School District's proportionate share of the net pension liability	\$ 8,779,955	\$ 10,458,624
School District's covered-employee payroll	\$ 3,688,077	\$ 3,717,554
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	281.33%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

**SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 103,794	\$ 108,395	\$ 84,644	\$ 81,772	\$ 82,916
Contributions in relation to the contractually required contribution	<u>(103,794)</u>	<u>(108,395)</u>	<u>(84,644)</u>	<u>(81,772)</u>	<u>(82,916)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 787,511	\$ 782,071	\$ 611,590	\$ 607,970	\$ 659,634
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 90,891	\$ 80,346	\$ 75,110	\$ 71,433	\$ 73,215
<u>(90,891)</u>	<u>(80,346)</u>	<u>(75,110)</u>	<u>(71,433)</u>	<u>(73,215)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 671,278	\$ 816,524	\$ 764,868	\$ 668,848	\$ 692,013
13.54%	9.84%	9.82%	10.68%	10.58%

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

**SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST TEN FISCAL YEARS**

	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>
Contractually required contribution	\$ 541,528	\$ 479,450	\$ 483,282	\$ 458,186	\$ 470,420
Contributions in relation to the contractually required contribution	<u>(541,528)</u>	<u>(479,450)</u>	<u>(483,282)</u>	<u>(458,186)</u>	<u>(470,420)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 3,868,057	\$ 3,688,077	\$ 3,717,554	\$ 3,524,508	\$ 3,618,615
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 501,479	\$ 490,575	\$ 486,477	\$ 478,872	\$ 517,743
<u>(501,479)</u>	<u>(490,575)</u>	<u>(486,477)</u>	<u>(478,872)</u>	<u>(517,743)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,857,531	\$ 3,773,654	\$ 3,742,131	\$ 3,683,631	\$ 3,982,638
13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO OTHER INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



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

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

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minster Local School District as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Minster Local School District's basic financial statements and have issued our report thereon dated November 30, 2015, wherein we noted the Minster Local School District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

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

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

Board of Education  
Minster Local School District

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

Julian & Grube, Inc.  
November 30, 2015





# Dave Yost • Auditor of State

**MINSTER LOCAL SCHOOL DISTRICT**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 23, 2016**