

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Education
Monroeville Local School District
101 West Street
Monroeville, Ohio 44847

We have reviewed the *Independent Auditor's Report* of the Monroeville Local School District, Huron County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Monroeville Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

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Auditor of State

January 31, 2008

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**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

Board of Education
Monroeville Local School District
Huron County
Monroeville, Ohio 44847-9797

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Monroeville Local School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Monroeville Local School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Monroeville Local School District, Ohio, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of the Monroeville Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 7, 2007

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Monroeville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$317,180 which represents a 9.02 percent decrease from 2006.
- General revenues accounted for \$5,243,902 in revenue or 80.57 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,264,240 or 19.43% of total revenues of \$6,508,142.
- The District had \$6,825,322 in expenses related to governmental activities; \$1,264,240 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,243,902 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$5,607,426 in revenues and other financing sources and \$6,153,157 in expenditures. During fiscal year 2007, the general fund's fund balance decreased \$545,731 from \$1,963,758 to \$1,418,027.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 15. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Governmental Funds

Most of the 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 an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-45 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for fiscal years 2007 and 2006.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Net Assets</u>	
	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<u>Assets</u>		
Current and other assets	\$ 4,894,816	\$ 5,136,212
Capital assets	<u>1,653,718</u>	<u>1,638,629</u>
Total Assets	<u>6,548,534</u>	<u>6,774,841</u>
<u>Liabilities</u>		
Current liabilities	3,015,692	2,856,737
Long-term liabilities	<u>333,645</u>	<u>401,727</u>
Total Liabilities	<u>3,349,337</u>	<u>3,258,464</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,584,857	1,509,356
Restricted	210,381	86,760
Unrestricted	<u>1,403,959</u>	<u>1,920,261</u>
Total Nnet Assets	<u>\$ 3,199,197</u>	<u>\$ 3,516,377</u>

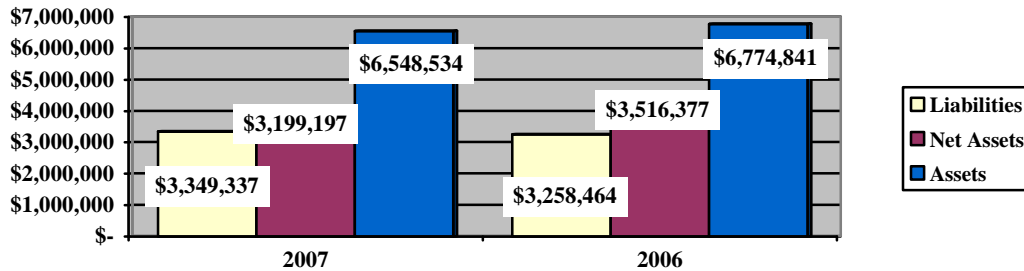
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$3,199,197. Of this total, \$1,403,959 is unrestricted in use.

At year-end, capital assets represented 25.25% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$1,584,857. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$210,381, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,403,959 may be used to meet the District's ongoing obligations to the students and creditors.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Governmental Activities



The table below shows the change in net assets for fiscal years 2007 and 2006.

	<u>Change in Net Assets</u>	
	Governmental	Governmental
	Activities	Activities
	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 545,718	\$ 507,912
Operating grants and contributions	708,190	509,538
Capital grants and contributions	10,332	9,767
General revenues:		
Property taxes	2,532,433	2,218,748
Grants and entitlements	2,564,358	2,600,313
Investment earnings	129,561	117,908
Other	17,550	14,793
Total Revenues	<u>6,508,142</u>	<u>5,978,979</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2007</u>	<u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,153,746	\$ 2,867,278
Special	580,200	578,523
Vocational	252,362	240,503
Other	5,640	7,402
Support services:		
Pupil	187,273	194,910
Instructional staff	459,360	395,262
Board of education	41,976	48,790
Administration	501,330	480,826
Fiscal	219,834	229,215
Business	3,179	3,345
Operations and maintenance	500,019	560,729
Pupil transportation	324,425	319,576
Central	29,707	6,046
Operations of non-instructional services		
Non-instructional services	1,182	72,074
Food service operations	271,115	269,113
Extracurricular activities	212,951	205,252
Intergovernmental	76,549	0
Interest and fiscal charges	4,474	8,084
Total Expenses	<u>6,825,322</u>	<u>6,486,928</u>
Change in net assets	(317,180)	(507,949)
Net assets at beginning of year	<u>3,516,377</u>	<u>4,024,326</u>
Net Assets at End of Year	<u>\$ 3,199,197</u>	<u>\$ 3,516,377</u>

Governmental Activities

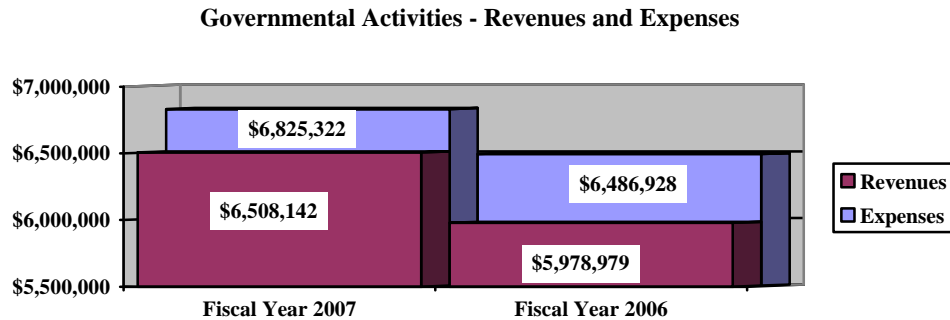
Net assets of the District's governmental activities decreased \$317,180. Total governmental expenses of \$6,825,322 were offset by program revenues of \$1,271,850 and general revenues of \$5,236,292. Program revenues supported 18.52 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.60 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,991,948 or 58.49 percent of total governmental expenses for fiscal 2007.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements

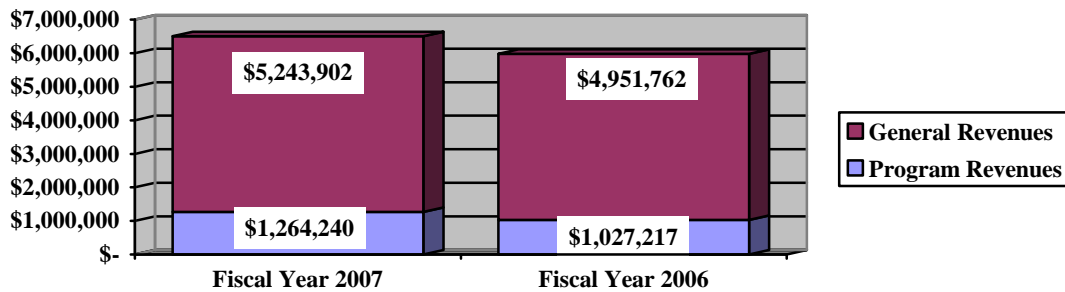
	<u>Governmental Activities</u>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Program Expenses				
Instruction:				
Regular	\$ 3,153,746	\$ 2,787,122	\$ 2,867,278	\$ 2,544,318
Special	580,200	230,470	578,523	379,226
Vocational	252,362	229,531	240,503	240,503
Other	5,640	5,640	7,402	7,402
Support services:				
Pupil	187,273	130,943	194,910	149,182
Instructional staff	459,360	424,902	395,262	356,731
Board of education	41,976	41,976	48,790	48,790
Administration	501,330	488,653	480,826	469,423
Fiscal	219,834	219,834	229,215	226,587
Business	3,179	3,179	3,345	3,345
Operations and maintenance	500,019	495,427	560,729	550,962
Pupil transportation	324,425	317,454	319,576	319,576
Central	29,707	29,707	6,046	6,046
Operations of non-instructional services:				
Non-instructional services	1,182	(2,270)	72,074	(6,793)
Food service operations	271,115	18,363	269,113	9,923
Extracurricular activities	212,951	134,047	205,252	146,406
Intergovernmental	76,549	1,630	0	0
Interest and fiscal charges	4,474	4,474	8,084	8,084
Total Expenses	<u>\$ 6,825,322</u>	<u>\$ 5,561,082</u>	<u>\$ 6,486,928</u>	<u>\$ 5,459,711</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The dependence upon tax and other general revenues for governmental activities is apparent, 81.48 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.48 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,696,944, which is lower than last year's total of \$2,155,265. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)	Percentage Change
General	\$ 1,418,027	\$ 1,963,758	\$ (545,731)	(27.79) %
Other Governmental	278,917	191,507	87,410	45.64 %
Total	<u>\$ 1,696,944</u>	<u>\$ 2,155,265</u>	<u>\$ (458,321)</u>	(21.27) %

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

General Fund

The District's general fund balance decreased \$545,731. The decrease in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Expenditures exceeded revenues for fiscal year 2007 by \$546,771. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2007 Amount	2006 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 2,427,700	\$ 2,109,415	\$ 318,285	15.09 %
Earnings on investments	128,211	107,412	20,799	19.36 %
Intergovernmental	2,744,351	2,614,869	129,482	4.95 %
Other revenues	306,124	275,846	30,278	10.98 %
Total Revenues	<u>\$ 5,606,386</u>	<u>\$ 5,107,542</u>	<u>\$ 498,844</u>	9.77 %
<u>Expenditures</u>				
Instruction	\$ 3,689,702	\$ 3,389,743	\$ 299,959	8.85 %
Support services	2,110,175	2,139,946	(29,771)	(1.39) %
Extracurricular activities	146,686	139,670	7,016	5.02 %
Facilities acquisition and construction	141,708	4,460	137,248	3,077.31 %
Debt service	64,886	64,914	(28)	(0.04) %
Total Expenditures	<u>\$ 6,153,157</u>	<u>\$ 5,738,733</u>	<u>\$ 414,424</u>	7.22 %

Overall revenues of the general fund increased 9.77 percent. Taxes increased \$318,285 or 15.09 percent due to an increase in taxes available for advance by the County. Earnings on investments increased due to increased interest rates earned on investments.

Expenditures of the general fund increased \$414,424 or 7.22 percent. The increase in instructional expenditures can be attributed to high wages and benefits paid by the District. The increase in facilities acquisition and construction is the result of the District purchasing two lots of land during fiscal year 2007.

General Fund Budgeting Highlights

The 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, original budgeted revenues and other financing sources amounted to \$5,573,359 while final budgeted revenues were \$5,122,270. Actual revenues and other financing sources for fiscal 2007 was \$5,632,255. This represents a \$509,985 increase from final budgeted revenues.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,309,119 remained the same for the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$6,098,546, which was \$210,573 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$1,653,718 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2007	2006
Land	\$ 302,965	\$ 189,859
Land improvements	79,527	87,424
Building and improvements	1,008,814	1,000,675
Furniture and equipment	199,883	280,337
Vehicles	62,529	80,334
Total	\$ 1,653,718	\$ 1,638,629

The overall increase in capital assets of \$15,089 is due in part to capital outlays of \$219,889 being greater than depreciation expense of \$204,152 and disposals of \$648 (net of accumulated depreciation).

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2007, the District had \$64,934 in energy conservation notes outstanding and \$3,927 in capital lease obligations for copier equipment and computers that were capitalized in assets for the amount of \$118,602. Of the outstanding obligations total, \$21,829 is due within one year and \$47,032 is due within greater than one year. The following table summarizes the notes outstanding.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Outstanding Debt, at Year End

	Governmental Activities 2007	Governmental Activities 2006
Energy conservation notes	\$ 64,934	\$ 84,362
Capital lease obligation	3,927	44,911
Total	<u>\$ 68,861</u>	<u>\$ 129,273</u>

At June 30, 2007, the District's overall legal debt margin was \$7,166,216, an unvoted debt margin of \$79,625 and an energy conservation debt margin of \$651,688.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District relies on property taxes, entitlements and grants. Tax revenues have increased slightly, state revenues are steady and grants are decreasing. Expenditures are increasing at double the rate of revenue increases. As this trend continues, carryover funds are depleted in the 3rd year of the five-year forecast.

The District has been successful in renewing operating and emergency levies. As the valuation increases, tax on the property owner increases as well. It will become increasingly more difficult to continue the passage of these levies and may be even more difficult when the district will be required to ask for additional funds for the operation of the schools. The majority of the tax revenue is derived from real estate and farming. The District is mainly rural and has a very small industrial base, however with reductions of tangible personal property the small amount derived from industry will be gone soon.

The facilities are overcrowded and have not been updated significantly to meet the enrollment needs and additional course offerings necessary to be academically proficient. The voters have rejected a plan for a new 7-12 facility to be partially paid by the Ohio School Facilities twice. The District is no longer eligible to receive funds from OSF so the Board has asked the voters to approve a bond issue to upgrade and add-to the current facility. This issue is for the total cost of the project and was rejected twice by the voters of the district. This issue will again be on the ballot at the 2006 general election.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Susan Ammanniti, Treasurer, Monroeville Local School District, 101 West Street, Monroeville, Ohio 44847.

MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
<u>Assets</u>	
Equity in pooled cash and cash equivalents. . .	\$ 2,254,735
Receivables:	
Taxes	2,564,475
Accounts	1,180
Intergovernmental	41,560
Accrued interest	24,661
Prepayments	3,605
Materials and supplies inventory	4,600
Capital assets:	
Land	302,965
Depreciable capital assets, net	1,350,753
Capital assets, net	1,653,718
Total Assets	6,548,534
 <u>Liabilities</u>	
Accounts payable	72,341
Accrued wages and benefits	517,390
Pension obligation payable	158,662
Intergovernmental payable. . .	14,021
Unearned revenue . . .	2,253,278
Long-term liabilities:	
Due within one year	63,077
Due in more than one year	270,568
Total Liabilities	3,349,337
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	1,584,857
Restricted for:	
Capital projects	137,886
Locally funded programs	10,880
State funded programs	19,903
Federally funded programs	13,477
Student activities	11,183
Other purposes	17,052
Unrestricted	1,403,959
Total Net Assets	\$ 3,199,197

See accompanying notes to the basic financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>		
<u>Governmental Activities</u>					
Instruction:					
Regular	\$3,153,746	\$ 288,574	\$ 78,050	\$ 0	\$(2,787,122)
Special	580,200	0	349,730	0	(230,470)
Vocational	252,362	0	22,831	0	(229,531)
Other	5,640	0	0	0	(5,640)
Support services:					
Pupil	187,273	0	56,330	0	(130,943)
Instructional staff	459,360	0	34,458	0	(424,902)
Board of education	41,976	0	0	0	(41,976)
Administration	501,330	12,427	250	0	(488,653)
Fiscal	219,834	0	0	0	(219,834)
Business	3,179	0	0	0	(3,179)
Operations and maintenance	500,019	0	0	4,592	(495,427)
Pupil transportation	324,425	0	1,231	5,740	(317,454)
Central	29,707	0	0	0	(29,707)
Operation of non-instructional services:					
Non instructional services	1,182	0	3,452	0	2,270
Food service operations	271,115	172,394	80,358	0	(18,363)
Extracurricular activities	212,951	72,323	6,581	0	(134,047)
Intergovernmental pass-through	76,549	0	74,919	0	(1,630)
Interest and fiscal charges	4,474	0	0	0	(4,474)
Total Governmental Activities	\$6,825,322	\$ 545,718	\$ 708,190	\$ 10,332	(5,561,082)
General Revenues:					
Property Taxes Levied for:					
General Purposes					2,451,794
Capital Projects					80,639
Grants and Entitlements not Restricted to Specific Program					2,564,358
Investment Earnings					129,561
Miscellaneous					17,550
Total General Revenues					5,243,902
Change in Net Assets					(317,180)
Net Assets at Beginning of Year					3,516,377
Net Assets at End of Year					\$ 3,199,197

See accompanying notes to the basic financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,894,437	\$ 343,246	\$ 2,237,683
Receivables:			
Taxes	2,480,297	84,178	2,564,475
Accounts	874	306	1,180
Intergovernmental	0	41,560	41,560
Accrued Interest	24,661	0	24,661
Interfund Loan Receivable	960	0	960
Prepayments	3,605	0	3,605
Materials and Supplies Inventory	0	4,600	4,600
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	17,052	0	17,052
Total Assets	\$ 4,421,886	\$ 473,890	\$ 4,895,776
<u>Liabilities</u>			
Accounts Payable	\$ 57,124	\$ 15,217	\$ 72,341
Accrued Wages and Benefits	461,606	55,784	517,390
Compensated Absences Payable	23,566	0	23,566
Pension Obligation Payable	142,410	16,252	158,662
Intergovernmental Payable	12,775	1,246	14,021
Interfund Loan Payable	0	960	960
Deferred Revenue	126,970	31,644	158,614
Unearned Revenue	2,179,408	73,870	2,253,278
Total Liabilities	3,003,859	194,973	3,198,832
<u>Fund Balances</u>			
Reserved for Encumbrances	27,001	39,439	66,440
Reserved for Materials and Supplies Inventory	0	4,600	4,600
Reserved for Prepayments	3,605	0	3,605
Reserved for Property Tax Unavailable for Appropriation	191,469	6,419	197,888
Reserved for School Bus Purchases	5,771	0	5,771
Reserved for Capital Acquisition	11,281		11,281
Unreserved, Undesignated, Reported in:			
General Fund	1,178,900	0	1,178,900
Special Revenue Funds	0	127,658	127,658
Capital Projects Funds	0	100,801	100,801
Total Fund Balances	1,418,027	278,917	1,696,944
Total Liabilities and Fund Balances	\$ 4,421,886	\$ 473,890	\$ 4,895,776

See accompanying notes to the basic financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$ 1,696,944
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,653,718
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 113,309	
Intergovernmental revenue	27,755	
Accrued interest	17,550	
Total	158,614	158,614
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	241,218	
Energy conservation notes payable	64,934	
Capital lease	3,927	
Total	(310,079)	(310,079)
Net Assets of Governmental Activities		\$ 3,199,197

See accompanying notes to the basic financial statements.

MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
From Local Sources:			
Taxes	\$ 2,427,700	\$ 79,666	\$ 2,507,366
Tuition	255,686	0	255,686
Transportation Fees	535	0	535
Charges for Services	0	172,394	172,394
Earnings on Investments	128,211	5,814	134,025
Extracurricular	0	84,750	84,750
Classroom Materials and Fees	32,353	0	32,353
Other Local Revenues	17,550	21,801	39,351
Intergovernmental - State	2,744,351	158,982	2,903,333
Intergovernmental - Federal	0	337,160	337,160
Total Revenues	5,606,386	860,567	6,466,953
Expenditures			
Current:			
Instruction:			
Regular	3,030,989	66,674	3,097,663
Special	405,177	174,059	579,236
Vocational	247,896	0	247,896
Other	5,640	0	5,640
Support Services:			
Pupil	144,810	49,322	194,132
Instructional Staff	386,793	37,348	424,141
Board of Education	38,320	0	38,320
Administration	483,767	9,033	492,800
Fiscal	219,882	1,727	221,609
Business	2,543	0	2,543
Operations and Maintenance	505,904	0	505,904
Pupil Transportation	322,824	0	322,824
Central	5,332	0	5,332
Operation of non-instructional services:			
Non-instructional Services	0	2,976	2,976
Food Service Operations	0	269,743	269,743
Extracurricular Activities	146,686	66,265	212,951
Intergovernmental Pass-Through	0	76,549	76,549
Facilities Acquisition and Construction	141,708	24,461	166,169
Debt Service:			
Principal Retirement	60,412	0	60,412
Interest and Fiscal Charges	4,474	0	4,474
Total Expenditures	6,153,157	778,157	6,931,314
Excess (Deficiency) of Revenues Over (Under) Expenditures	(546,771)	82,410	(464,361)
Other Financing Sources (Uses)			
Sale of Capital Assets	1,040	5,000	6,040
Total Other Financing Sources (Uses)	1,040	5,000	6,040
Net Change in Fund Balances	(545,731)	87,410	(458,321)
Fund Balances at Beginning of Year	1,963,758	191,507	2,155,265
Fund Balances at End of Year	\$ 1,418,027	\$ 278,917	\$ 1,696,944

See accompanying notes to the basic financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds		\$ (458,321)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital Asset Additions	\$ 219,889	
Current Year Depreciation	(204,152)	
		15,737

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.

Disposal of Capital Assets	(49,145)	
Accumulated Depreciation on Disposed Capital Assets	48,497	
		(648)

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

Delinquent Property Taxes	25,067	
Intergovernmental Revenues	1,350	
Accrued Interest	14,772	
		41,189

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	60,412
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	24,451

Change in Net Assets of Governmental Activities		\$ (317,180)
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See accompanying notes to the basic financial statements.

MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
From local sources:				
Taxes	#####	\$2,137,820	\$ 2,429,117	\$ 291,297
Tuition	274,436	252,200	255,861	3,661
Transportation Fees	544	500	535	35
Earnings on Investments	108,817	100,000	132,455	32,455
Classroom Materials and Fees	38,086	35,000	32,284	(2,716)
Other Local Revenues	7,617	7,000	19,536	12,536
Intergovernmental - State	2,811,449	2,583,650	2,745,342	161,692
Total Revenues	<u>5,567,259</u>	<u>5,116,170</u>	<u>5,615,130</u>	<u>498,960</u>
<u>Expenditures</u>				
Current:				
Instruction:				
Regular	3,039,072	3,039,072	2,973,007	66,065
Special	394,067	394,067	403,756	(9,689)
Vocational	264,374	264,374	259,532	4,842
Other	14,025	14,025	5,632	8,393
Support Services:				
Pupil	195,995	195,995	151,173	44,822
Instructional Staff	410,140	410,140	407,146	2,994
Board of Education	51,759	51,759	36,293	15,466
Administration	489,396	489,396	480,712	8,684
Fiscal	236,376	236,376	224,876	11,500
Business	3,200	3,200	2,543	657
Operations and Maintenance	590,098	590,098	491,050	99,048
Pupil Transportation	348,378	348,378	333,765	14,613
Central	5,050	5,050	5,482	(432)
Extracurricular Activities	174,530	174,530	145,806	28,724
Facilities Acquisition and Construction	25,000	25,000	151,708	(126,708)
Debt Service:				
Principal Retirement	19,428	19,428	19,428	0
Interest and Fiscal Charges	4,106	4,106	4,106	0
Total Expenditures	<u>6,264,994</u>	<u>6,264,994</u>	<u>6,096,015</u>	<u>168,979</u>
Excess of Revenues Over (Under) Expenditures	<u>(697,735)</u>	<u>(1,148,824)</u>	<u>(480,885)</u>	<u>667,939</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	1,000	1,000	9,514	8,514
Transfers (out)	(5,625)	(5,625)	0	5,625
Advances In.	5,000	5,000	6,571	1,571
Advances (Out)	(37,500)	(37,500)	(2,531)	34,969
Refund of Prior Year Receipts	(1,000)	(1,000)	0	1,000
Sale of Capital Assets	100	100	1,040	940
Total Other Financing Sources (Uses)	<u>(38,025)</u>	<u>(38,025)</u>	<u>14,594</u>	<u>52,619</u>
Net Change in Fund Balance	<u>(735,760)</u>	<u>(1,186,849)</u>	<u>(466,291)</u>	<u>720,558</u>
Fund Balance at Beginning of Year	2,314,360	2,314,360	2,314,360	0
Prior Year Encumbrances Appropriated	32,544	32,544	32,544	0
Fund Balance at End of Year	<u>#####</u>	<u>\$1,160,055</u>	<u>\$ 1,880,613</u>	<u>\$ 720,558</u>

See accompanying notes to the basic financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private-Purpose	
	Trust	
	<u>Scholarship</u>	<u>Agency</u>
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 35,366	\$ 43,696
Receivables:		
Accounts	0	422
Accrued Interest	600	0
Total Assets	<u>35,966</u>	<u>\$ 44,118</u>
<u>Liabilities</u>		
Accounts Payable	0	\$ 8,766
Due to Students	0	35,352
Total Liabilities	<u>0</u>	<u>\$ 44,118</u>
<u>Net Assets</u>		
Held in Trust for Scholarships	35,966	
Total Net Assets	<u>\$ 35,966</u>	

See accompanying notes to the basic financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Private-Purpose Trust
	Scholarship
<u>Additions</u>	
Interest	\$ 1,074
Gifts and Contributions	14,088
Total Additions	15,162
<u>Deductions</u>	
Scholarships Awarded	10,050
Change in Net Assets	5,112
Net Assets at Beginning of Year	30,854
Net Assets at End of Year	\$ 35,966

See accompanying notes to the basic financial statements.

MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The Monroeville Local School District (the “District”) is located in Huron County and encompasses the Village of Monroeville and portions of surrounding townships in Huron and Erie Counties.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 572nd largest by enrollment among the 876 public school districts and community schools in the State, and the smallest in Huron County. It currently operates one elementary school and one comprehensive high school. The District employs 31 non-certified and 59 certified employees to provide services to 676 students in grades K through 12 and various community groups.

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

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

A. Reporting Entity (Continued)

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of 26 school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consist of 1 elected representative of each county, the superintendent of the fiscal agent and 2 non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting the Erie-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

EHOVE Career Center (Center)

The Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

A. Reporting Entity (Continued)

Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among 41 school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Erie-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

RELATED ORGANIZATION

Monroeville Public Library

The District appoints the trustees of the library and approves its budget to comply with state code requirements, but is not involved in budgeting or management of the library and does not subsidize and finance the operation of the library.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include 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. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the 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.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

C. Basis of Presentation and Measurement Focus

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

D. Basis of Accounting (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2007 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Certificates of Estimated Resources issued for fiscal year 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund, function and object must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund, function and object appropriation must be approved by the Board of Education.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

E. Budgets (Continued)

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2007; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and object level.

F. Cash and Investments

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

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

F. Cash and Investments (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$128,211, which includes \$13,583 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

H. Capital Assets (Continued)

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

J. Compensated Absences (Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, school bus purchases, capital acquisition and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net Assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases and capital acquisition.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Parochial Schools

Within the District boundaries, St. Joseph Elementary is operated through the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a special revenue fund for financial reporting purposes.

P. Estimates

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 16. Restricted assets in the general fund represent cash and cash equivalent set-aside to establish school bus purchase and capital acquisition reserves.

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Entry Year Programs	\$ 1,103
Title VI-B	9,009
Title I	3,058
Reducing Class Size	118
Miscellaneous Federal Grants	662

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board 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 moneys 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of 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.

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 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. Cash on Hand

At year-end, the District had \$2,150 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$922,631. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2007, \$800,000 of the District's bank balance of \$984,580 was exposed to custodial risk as discussed below, while \$184,580 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the 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 District.

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 1,409,016	\$ 1,409,016

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in STAR Ohio were assigned an AAAM money market rating from Standard and Poor's.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAROhio	\$ 1,409,016	100.00

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 922,631
Investments	1,409,016
Cash on hand	<u>2,150</u>
Total	<u>\$ 2,333,797</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,254,735
Private-purpose trust funds	35,366
Agency funds	<u>43,696</u>
Total	<u>\$ 2,333,797</u>

NOTE 5: INTERFUND TRANSACTIONS

Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 960</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

NOTE 6: PROPERTY TAXES

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

MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 6: PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of January 1, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 6: PROPERTY TAXES (Continued)

The District receives property taxes from Huron County and Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$191,469 in the general fund and \$6,419 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$192,886 in the general fund, and \$6,239 in the Permanent Improvement capital projects fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 72,047,010	90.47	\$ 77,838,270	91.78
Public Utility Personal	1,825,550	2.29	2,239,800	2.64
Tangible Personal Property	5,760,953	7.24	4,728,472	5.58
Total	<u>\$ 79,633,513</u>	<u>100.00</u>	<u>\$ 84,806,542</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$46.80		\$46.20	

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 7: RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Taxes	\$ 2,564,475
Accounts	1,180
Intergovernmental	41,560
Accrued interest	<u>24,661</u>
Total	<u>\$ 2,631,876</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8: CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance 06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 189,859	\$ 113,106	\$ 0	\$ 302,965
<i>Total Capital Assets, Not Being Depreciated</i>	<u>189,859</u>	<u>113,106</u>	<u>0</u>	<u>302,965</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	201,048	0	0	201,048
Buildings and Improvements	2,329,310	63,610	0	2,392,920
Furniture and Equipment	1,179,301	43,173	(49,145)	1,173,329
Vehicles	<u>375,234</u>	<u>0</u>	<u>0</u>	<u>375,234</u>
Total Capital Assets, Being Depreciated	<u>4,084,893</u>	<u>106,783</u>	<u>(49,145)</u>	<u>4,142,531</u>
<i>Less: Accumulated Depreciation</i>				
Land improvements	(113,624)	(7,897)	0	(121,521)
Buildings and improvements	(1,328,635)	(55,471)	0	(1,384,106)
Furniture and equipment	(898,964)	(122,979)	48,497	(973,446)
Vehicles	<u>(294,900)</u>	<u>(17,805)</u>	<u>0</u>	<u>(312,705)</u>
Total accumulated depreciation	<u>(2,636,123)</u>	<u>(204,152)</u>	<u>48,497</u>	<u>(2,791,778)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,638,629</u>	<u>\$ 15,737</u>	<u>\$ (648)</u>	<u>\$ 1,653,718</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 8: CAPITAL ASSETS (Continued)

B. Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 96,545
Special	341
Vocational	9,335
 <u>Support Services:</u>	
Pupil	4,048
Instructional Staff	41,407
Board of Education	3,656
Administration	5,122
Fiscal	2,371
Business	636
Operations and Maintenance	15,218
Pupil Transportation	18,255
Non-instructional	449
Food Service Operations	6,769
Total Depreciation Expense	<u>\$ 204,152</u>

NOTE 9: CAPITALIZED LEASES - LESEE DISCLOSURE

During a prior fiscal year, the District entered into capitalized leases for copier equipment and computers. These lease agreements met the criteria of a capital lease as defined by FASB Statement No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of office equipment have been capitalized in the amount of \$118,602. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 for equipment was \$96,631 leaving a current book value of \$21,971. Principal payments in fiscal year 2007 totaled \$40,984 paid by 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, 2007:

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 9: CAPITALIZED LEASES - LESEE DISCLOSURE (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 1,598
2009	1,598
2010	<u>1,197</u>
Total minimum lease payments	4,393
Less amount representing interest	<u>(466)</u>
Total	<u>\$ 3,927</u>

NOTE 10: LONG-TERM OBLIGATIONS

A. During fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
<u>Governmental Activities</u>					
Compensated Absences	\$ 272,454	\$ 28,574	\$ (36,244)	\$ 264,784	\$ 41,248
Capital Lease	44,911	0	(40,984)	3,927	1,332
Energy Conservation Note	<u>84,362</u>	<u>0</u>	<u>(19,428)</u>	<u>64,934</u>	<u>20,497</u>
Total Long-term Obligations, Governmental Activities	<u>\$ 401,727</u>	<u>\$ 28,574</u>	<u>\$ (96,656)</u>	<u>\$ 333,645</u>	<u>\$ 63,077</u>

Energy Conservation Note:

On November 1, 1999, the District issued unvoted long-term “energy conservation” notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District’s full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes are recorded as expenditures in the general fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes and loans without voter approval, and the subsequent repayment of the notes from operating revenues. The notes bear an annual interest rate of 5.50% and mature November 1, 2009.

Compensated absences will be paid from the funds which the employees are paid, which for the District, is the general fund and the food service fund (a nonmajor governmental fund).

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation note:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 20,497	\$ 3,008	\$ 23,505
2009	21,624	1,849	23,473
2010	22,813	627	23,440
Total	<u>\$ 64,934</u>	<u>\$ 5,484</u>	<u>\$ 70,418</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation use in determining the 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 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, 2007, are a voted debt margin of \$7,166,216, an unvoted debt margin of \$79,625 and an unvoted energy conservation debt margin of \$651,688.

NOTE 11: RISK MANAGEMENT

A. Comprehensive

The 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. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 11: RISK MANAGEMENT (Continued)

B. Health Care Benefits

The District provides employee health care benefits through membership in the Huron-Erie School Employees Insurance Association, a public entity risk management pool. Monthly payments are made to the Association for health, dental and vision insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop-loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120 percent of the prior year's aggregate claims. Individual coverage cannot exceed \$1,000,000 in claims during their lifetime. Financial information can be obtained by writing to the Erie-Ottawa Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

C. Workers' Compensation Plan

For fiscal year 2007 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 12: PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$84,311, \$86,302, and \$82,432, respectively; 37.80% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$52,445 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 12: PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006,

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 12: PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

and 2005 were \$386,748, \$374,274, and \$358,769, respectively; 82.57% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$67,422 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2007 were \$533 made by the District and \$8,162 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13: POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$29,750 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$38,349 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 14: BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP 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 budget basis and the GAAP basis are that:

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 14: BUDGETARY BASIS OF ACCOUNTING (Continued)

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

Budget basis	\$ (466,291)
Net Adjustment for Revenue Accruals	(8,744)
Net Adjustment for Expenditure Accruals	(88,018)
Net Adjustment for Other Sources/Uses	(13,554)
Adjustment for Encumbrances	30,876
GAAP Basis	<u>\$ (545,731)</u>

NOTE 15: CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 15: CONTINGENCIES (Continued)

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$8,530 per year. A portion of the refund may be recovered from additional state entitlement payments.

The District is involved in no other material litigation as either plaintiff or defendant.

NOTE 16: STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2006	\$ (164,187)	\$ 0
Current Year Set-aside Requirement	104,595	104,595
Current Year Offsets	0	(79,486)
Qualifying Disbursements	(147,104)	(13,828)
Total	<u>\$ (206,696)</u>	<u>\$ 11,281</u>
Cash Balance Carried Forward to FY 2008	<u>\$ (206,696)</u>	<u>\$ 11,281</u>

The District had qualifying disbursements during the year that reduced the textbooks set-aside amounts below zero. The negative amount may be carried forward to the next year for the textbook set-aside.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 16: STATUTORY RESERVES (Continued)

A schedule of the governmental fund restricted assets at June 30, 2007 follows:

Amount restricted for school bus purchases	\$ 5,771
Amount restricted for capital acquisition	<u>11,281</u>
Total restricted assets	<u>\$ 17,052</u>

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Monroeville Local School District
Huron County
Monroeville, Ohio 44847-9797

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Monroeville Local School District, Huron County, Ohio, (the District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the Monroeville Local School District, Ohio's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Monroeville Local School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Monroeville Local School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Monroeville Local School District, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Monroeville Local School District, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Monroeville Local School District, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Monroeville Local School District, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Monroeville Local School District, Ohio's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Monroeville Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Monroeville Local School District, Ohio, in a separate letter dated December 7, 2007.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 7, 2007



Mary Taylor, CPA
Auditor of State

MONROEVILLE LOCAL SCHOOL DISTRICT

HURON 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 12, 2008**