



Dave Yost • Auditor of State



**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Monroe Local School District  
Butler County  
500 Yankee Road  
Monroe, Ohio 45050

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Local School District, Butler County, Ohio, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2011, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. The District had an operating loss of (\$827,434) for the year ended June 30, 2011, and unassigned net asset deficit of (\$6,463,527) at June 30, 2011, that raise substantial doubt about its ability to continue as a going concern. As described in Notes 21 and 22 to the financial statements, the District was placed in fiscal watch effective February 2, 2012 and on May 9, 2012 the Auditor of State determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Rev. Code. Note 22 to the financial statements describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

May 24, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the Monroe Local School District (the "School District") for the year ended June 30, 2011. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

### Financial Highlights

Major financial highlights for fiscal year 2011 are listed below:

- The assets of the School District exceeded its liabilities at year-end by \$5,997,513. Of this amount, \$7,356,252 is invested in capital assets, net of related debt.
- In total, net assets decreased by \$646,802.
- The School District had \$23,673,105 in expenses related to governmental activities; only \$3,084,240 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$19,942,063, made up primarily of property taxes and State Foundation payments, provided the majority of funding for these programs.
- The General Fund deficit fund balance grew by \$2,372,793 to a deficit fund balance at June 30, 2011 of (\$5,800,264).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

**MONROE LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**  
**Unaudited**

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The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.



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

**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.

**Other information.** In addition to basic financial statements and accompanying notes, this report also contains required supplementary information regarding the budget of the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net Assets at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2011 and 2010:

	<u>FY2011</u>	<u>Restated FY2010</u>
Current and other assets	\$ 14,927,033	16,879,283
Capital assets	<u>40,793,301</u>	<u>41,449,226</u>
Total assets	<u>55,720,334</u>	<u>58,328,509</u>
Long-term liabilities	34,319,856	34,751,427
Other liabilities	<u>15,402,965</u>	<u>16,932,767</u>
Total liabilities	<u>49,722,821</u>	<u>51,684,194</u>
Net assets:		
Invested in capital assets, net of debt	7,356,252	7,387,369
Restricted	4,260,878	2,936,821
Unrestricted	<u>(5,619,617)</u>	<u>(3,679,875)</u>
Total net assets	\$ <u>5,997,513</u>	<u>6,644,315</u>

Total assets decreased by approximately \$2.6 million, or 4.5%. Current and other assets decreased primarily due to expenses outpacing revenues resulting in decreases in cash and investment balances; and taxes receivable decreasing due to declines in assessed valuations and increases in anticipated delinquencies. Capital assets decreased due to recognition of depreciation on the School District's capital assets exceeding current year acquisitions.

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Total liabilities decreased by approximately \$2 million, or 4.0%. Other liabilities decreased primarily due to a decline in unearned revenue, which is an offset to the decline in taxes receivable. The decrease in long-term liabilities was due to the School District making its scheduled payments on the outstanding notes, bonds, and capital leases.

**B. Governmental Activities during fiscal year 2011**

The following table presents a condensed summary of the School District's activities during fiscal year 2011 and 2010 and the resulting change in net assets:

	<b>Governmental Activities</b>	
	<b>FY2011</b>	<b>FY2010</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 1,369,530	1,670,064
Operating grants and contributions	1,714,710	1,458,310
Total program revenues	<u>3,084,240</u>	<u>3,128,374</u>
General revenues:		
Property taxes	11,231,065	10,373,144
Payment in lieu of taxes	1,679,193	1,182,678
Grants and entitlements	6,881,668	7,627,340
Investment earnings	4,664	14,841
Miscellaneous	145,473	160,186
Total general revenues	<u>19,942,063</u>	<u>19,358,189</u>
<b>Total revenues</b>	<u>23,026,303</u>	<u>22,486,563</u>
<b>Expenses:</b>		
Instruction	12,218,555	11,494,573
Support services:		
Pupil	858,204	1,416,028
Instructional staff	1,340,092	1,059,105
Board of Education	78,101	117,724
Administration	1,667,928	1,608,110
Fiscal	609,014	688,373
Business	124,927	144,875
Operation and maintenance of plant	1,743,160	1,772,836
Pupil transportation	1,598,698	1,679,363
Central	438,693	495,795
Food service	877,691	871,438
Extracurricular activities	715,065	839,139
Interest and fiscal charges	1,402,977	1,448,582
<b>Total expenses</b>	<u>23,673,105</u>	<u>23,635,941</u>
<b>Change in net assets</b>	\$ <u>(646,802)</u>	<u>(1,149,378)</u>

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**Management's Discussion and Analysis**  
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**Unaudited**

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Of the total governmental activities revenues of \$23,026,303, \$3,084,240 is from program revenue. This means that the School District relied on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$11,231,065 (56%) comes from property taxes and \$6,881,668 (35%) is from state funding. The School District's operations are reliant upon its property taxes and the State's foundation program. The activity for the year was fairly consistent with prior years, with revenues only increasing by \$539,740, or 2.4%, and expenses only increasing \$37,164, or less than 1%.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 13% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$12,218,555 but program revenue contributed to fund 9% of those costs. Thus, general revenues of \$11,076,167 were used to support of remainder of the instruction costs.

**Governmental Activities**

		<b><u>Total Cost of Services</u></b>	<b><u>Program Revenue</u></b>	<b><u>Revenues as a % of Total Costs</u></b>	<b><u>Net Cost of Services</u></b>
Instruction	\$	12,218,555	1,142,388	9%	11,076,167
Support services		8,458,817	754,104	9%	7,704,713
Non-instructional services		715,065	273,587	38%	441,478
Food services		877,691	914,161	104%	(36,470)
Interest and fiscal charges		<u>1,402,977</u>	<u>-</u>	0%	<u>1,402,977</u>
<b>Total</b>	<b>\$</b>	<b><u>23,673,105</u></b>	<b><u>3,084,240</u></b>	<b><u>13%</u></b>	<b><u>20,588,865</u></b>

**MONROE LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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**Unaudited**

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

**Governmental funds**

The School District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these two funds comprise 95% (\$17,563,729) of the total governmental funds' assets of \$18,393,107. The following provides an analysis of these major funds:

**General Fund.** Fund balance deficit at June 30, 2011 was (\$5,800,264). The deficit grew during the fiscal year \$2,372,793 primarily due to expenditures exceeding revenues, requiring interfund loans from other funds to cover cash shortfalls.

**Debt Service Fund.** The Debt Service Fund had a fund balance at June 30, 2011 of \$3,569,915, an increase of \$976,184 over the prior fiscal year. The Debt Service Fund is used to accumulate resources to retire the School District's general obligation bonds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The schedule comparing the original and final budgets and actual results is included in the required supplementary information after the Notes to the Basic Financial Statements.

In the General Fund, both final budgeted revenues and expenditures were within approximately 1% when compared to original budget estimates. Additionally, actual revenues were within approximately 1% of final budgeted revenues as well. However, actual expenditures exceeded final budgeted appropriations by approximately 13%. See Note 19 to the financial statements for more detail.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2011, the School District had invested in land, buildings and improvements, furniture and equipment, and vehicles. See Note 5 to the financial statements for more detail.

**MONROE LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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**Unaudited**

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**Capital Assets at Year-End  
(Net of Depreciation)**

		<u>FY2011</u>	<u>FY2010</u>
Land	\$	2,475,849	2,475,849
Buildings and improvements		37,953,011	38,554,934
Furniture and equipment		334,898	386,230
Vehicles		29,543	32,213
Total	\$	<u>40,793,301</u>	<u>41,449,226</u>

**Debt**

At June 30, 2011, the School District had \$27,605,000 outstanding in bonds, \$3,950,000 outstanding in long-term notes, and \$302,005 outstanding in capital leases to finance improvement projects and equipment purchases. See Note 12 to the financial statements for more detail.

**ECONOMIC FACTORS**

As with most Ohio schools, our School District's financial challenge is with state funding. The new State administration introduced sweeping education reforms and dramatically cut state funding for public schools in Ohio. The new funding model replaces the Evidence Based Model formula, which was implemented by the previous administration two years ago. All public school districts are using a 'bridge' formula to plan for state aid in fiscal year 2012 and are currently waiting on the details of the funding model for fiscal years 2013, which have not yet been released.

On October 1, 2011, the School District was placed on Fiscal Caution status by the Ohio State Auditor. The School District submitted a Fiscal Recovery Plan to reduce staff and services; however this was rejected and on February 2, 2012, the School District was elevated to Fiscal Watch status. The Ohio State Auditor placed the School District on Fiscal Emergency on May 9, 2012.

**REQUESTS FOR ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Monroe Local School District, 500 Yankee Road, Monroe, Ohio 45050.

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**MONROE LOCAL SCHOOL DISTRICT**

## Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 255,457
Receivables:	
Property taxes	11,618,137
Accounts	1,965
Intergovernmental	2,027,427
Materials and supply inventory	12,276
Deferred issuance costs	719,534
Restricted cash and investments	292,237
Nondepreciable capital assets	2,475,849
Depreciable capital assets, net	<u>38,317,452</u>
<b>Total assets</b>	<u>55,720,334</u>
<b>Liabilities:</b>	
Accounts payable	446,281
Accrued wages and benefits	1,614,119
Intergovernmental payable	333,641
Accrued interest payable	175,081
Unearned revenue	12,833,843
Noncurrent liabilities:	
Due within one year	793,987
Due within more than one year	<u>33,525,869</u>
<b>Total liabilities</b>	<u>49,722,821</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	7,356,252
Restricted for:	
Debt service	3,506,510
Other purposes	754,368
Unrestricted	<u>(5,619,617)</u>
<b>Total net assets</b>	<u>\$ 5,997,513</u>

See accompanying notes to the basic financial statements.

**MONROE LOCAL SCHOOL DISTRICT**

Statement of Activities  
Year Ended June 30, 2011

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 10,399,804	528,937	499,909	(9,370,958)
Special education	1,818,751	-	113,542	(1,705,209)
Support services:				
Pupil	858,204	-	78,827	(779,377)
Instructional staff	1,340,092	-	365,542	(974,550)
Board of Education	78,101	-	-	(78,101)
Administration	1,667,928	-	9,225	(1,658,703)
Fiscal	609,014	-	8,014	(601,000)
Business	124,927	-	-	(124,927)
Operation and maintenance of plant	1,743,160	-	71,724	(1,671,436)
Pupil transportation	1,598,698	-	37,226	(1,561,472)
Central	438,693	-	183,546	(255,147)
Non-instructional services:				
Extracurricular activities	715,065	273,587	-	(441,478)
Food service	877,691	567,006	347,155	36,470
Interest on long-term debt	1,402,977	-	-	(1,402,977)
Total Governmental Activities	\$ <u>23,673,105</u>	<u>1,369,530</u>	<u>1,714,710</u>	<u>(20,588,865)</u>
<b>General Revenues:</b>				
Property taxes, levied for general purposes				11,231,065
Payment in lieu of taxes				1,679,193
Grants and entitlements not restricted to specific programs				6,881,668
Unrestricted investment earnings				4,664
Miscellaneous				145,473
Total general revenues				<u>19,942,063</u>
Change in net assets				(646,802)
Net assets beginning of year, restated				<u>6,644,315</u>
Net assets end of year				\$ <u>5,997,513</u>

See accompanying notes to the basic financial statements.



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**MONROE LOCAL SCHOOL DISTRICT**

Balance Sheet  
 Governmental Funds  
 June 30, 2011

	General	Debt Service	Other Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and investments	\$ -	182,782	72,675
Receivables:			
Property taxes	9,448,568	2,169,569	-
Accounts	1,965	-	-
Interfund	121,732	3,346,876	717,000
Intergovernmental	2,000,000	-	27,427
Materials and supplies inventory	-	-	12,276
Restricted cash and investments	292,237	-	-
<b>Total assets</b>	<u>11,864,502</u>	<u>5,699,227</u>	<u>829,378</u>
<b>Liabilities:</b>			
Accounts payable	402,056	-	44,225
Accrued wages and benefits	1,475,853	-	138,266
Intergovernmental payable	303,804	-	29,837
Interfund payable	4,166,721	-	18,887
Retirement incentive payable	32,230	-	-
Deferred revenue	11,284,102	2,129,312	15,927
<b>Total liabilities</b>	<u>17,664,766</u>	<u>2,129,312</u>	<u>247,142</u>
<b>Fund Balances:</b>			
Nonspendable	-	1,897,691	12,276
Restricted	292,237	1,672,224	433,928
Committed	24,651	-	-
Assigned	232,357	-	250,050
Unassigned	(6,349,509)	-	(114,018)
<b>Total fund balances</b>	<u>(5,800,264)</u>	<u>3,569,915</u>	<u>582,236</u>
<b>Total liabilities and fund balances</b>	\$ <u>11,864,502</u>	<u>5,699,227</u>	<u>829,378</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2011

Total Governmental Funds	<b>Total Governmental Fund Balances</b>	\$ (1,648,113)
255,457	Amounts reported for governmental activities in the statement of net assets are different because:	
11,618,137	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	40,793,301
1,965		
4,185,608	Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	595,498
2,027,427		
12,276		
292,237	Deferred bond issuance costs associated with long-term liabilities are not reported in the funds.	719,534
18,393,107		
446,281	In the statement of net assets, interest payable is accrued when incurred, whereas in the governmental funds, interest is reported as a liability only when it will require the use of current financial resources.	(175,081)
1,614,119		
333,641	Some liabilities, such as compensated absences, are reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(850,577)
4,185,608		
32,230	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(33,437,049)
13,429,341		
20,041,220		
1,909,967		
2,398,389		
24,651		
482,407		
(6,463,527)		
(1,648,113)	<b>Net Assets of Governmental Activities</b>	\$ <u>5,997,513</u>
18,393,107		

**MONROE LOCAL SCHOOL DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2011

	General	Debt Service	Other Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 8,626,052	2,075,559	-
Payments in lieu of taxes	1,679,193	-	-
Intergovernmental	6,427,944	453,724	1,761,206
Charges for services	-	-	567,006
Tuition and fees	528,937	-	-
Interest	4,664	-	-
Extracurricular activities	88,284	-	185,303
Miscellaneous	97,089	-	48,384
<b>Total revenues</b>	<u>17,452,163</u>	<u>2,529,283</u>	<u>2,561,899</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	9,344,814	-	362,426
Special education	1,644,503	-	121,792
Support services:			
Pupils	777,199	-	89,920
Instructional staff	896,604	-	416,201
Board of Education	78,101	-	-
Administration	1,642,744	-	10,156
Fiscal	571,205	33,052	3,284
Business	124,430	-	-
Operation and maintenance of plant	1,642,508	-	57,311
Pupil transportation	1,583,444	-	15,254
Central	363,279	-	97,282
Non-instructional services:			
Extracurricular activities	55,274	-	644,954
Food services	-	-	877,459
Debt Service:			
Principal	215,355	325,000	-
Interest and fiscal charges	182,181	1,195,047	-
<b>Total expenditures</b>	<u>19,121,641</u>	<u>1,553,099</u>	<u>2,696,039</u>
Excess of revenues over (under) expenditures	<u>(1,669,478)</u>	<u>976,184</u>	<u>(134,140)</u>
<b>Other financing sources (uses):</b>			
Transfers in	2,967	-	706,496
Transfers out	(706,282)	-	(3,181)
<b>Total other financing sources (uses):</b>	<u>(703,315)</u>	<u>-</u>	<u>703,315</u>
Net change in fund balance	(2,372,793)	976,184	569,175
Fund balance, beginning of year, restated	(3,427,471)	2,593,731	13,061
Fund balance, end of year	<u>\$ (5,800,264)</u>	<u>3,569,915</u>	<u>582,236</u>

See accompanying notes to the basic financial statements.



**MONROE LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
<b>Assets</b>		
Equity in pooled cash and investments	\$ 87,813	59,543
Accounts receivable	<u>2,390</u>	<u>-</u>
Total assets	<u><u>90,203</u></u>	<u><u>59,543</u></u>
<b>Liabilities</b>		
Due to student groups	<u>-</u>	<u>59,543</u>
Total liabilities	<u><u>-</u></u>	<u><u>59,543</u></u>
<b>Net assets</b>		
Held in trust	\$ <u><u>90,203</u></u>	

See accompanying notes to the basic financial statements.

**MONROE LOCAL SCHOOL DISTRICT**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

	<u>Private Purpose Trusts</u>
<b>Additions</b>	
Contributions	\$ <u>87,720</u>
Total additions	<u>87,720</u>
<b>Deductions:</b>	
Community gifts, awards and scholarships	<u>8,778</u>
Total deductions	<u>8,778</u>
Change in net assets	78,942
Net assets, beginning of year, restated	<u>11,261</u>
Net assets, end of year	\$ <u><u>90,203</u></u>

See accompanying notes to the basic financial statements.

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**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Monroe Local School District, Ohio (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations include Southwestern Ohio Computer Association, Butler Technology and Career Development Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Butler Health Plan. These organizations are presented in Notes 15 and 16.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**B. Basis of Presentation**

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**C. Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

**Governmental funds** focus 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 are the School District's major governmental funds:

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

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

**Fiduciary Funds** report on net assets and changes in net assets. The School District's fiduciary funds consist of a private-purpose trust fund and an agency fund. The School District's private-purpose trust fund accounts for a scholarship program for students. These assets are not available for the School District's use. The agency fund, used for student activities, is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Basis of Accounting**

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

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***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.

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

***Deferred Revenue.*** Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2011 which are intended to finance fiscal year 2012 operations have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**E. Cash and Investments**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. During fiscal year 2011, the School District's investments were limited to US money market funds and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2011 at fair value.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

**F. Inventory**

Inventories of governmental funds are stated at cost, determined on a first-in, first-out basis and recorded as expenditures in the governmental funds when consumed.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**G. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. 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 capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

Buildings and improvements	50 years
Furniture and equipment	5 years
Vehicles	5 years

**H. Interfund Balances**

On the governmental fund financial statements, receivables and payables resulting from interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's severance policy.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded for compensated absences only if they have matured, for example, as a result of employee resignations and/or retirements.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

**K. Fund Balances**

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

***Nonspendable*** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a State mandated capital improvement set-aside.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Estimates**

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



**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**2. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT**

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The School District also reclassified certain funds from the Other Governmental Funds to Private-Purpose Trust Funds.

The implementation of this statement and reclassification resulted in the restatement of the School District's beginning fund balances and net assets.

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>
Fund Balance at June 30, 2010	\$ (3,289,544)	(239,272)	125,667
Change in fund classification	<u>(137,927)</u>	<u>239,272</u>	<u>(112,606)</u>
Restated Fund Balance at June 30, 2010	\$ <u>(3,427,471)</u>	<u>-</u>	<u>13,061</u>
	<u>Private Purpose Trusts</u>		<u>Governmental Activities</u>
Net Assets at June 30, 2010	\$ -		6,655,576
Reclassification of funds	<u>11,261</u>		<u>(11,261)</u>
Restated Net Assets at June 30, 2010	\$ <u>11,261</u>		<u>6,644,315</u>

**3. DEPOSITS AND INVESTMENTS**

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

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

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are permitted 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, the School District's bank balance of \$231,622 as covered by FDIC insurance.

Investments

The School District's investments at June 30, 2011 are as summarized as follows:

	<u>Fair Value</u>	<u>Concentration</u>	<u>Average Maturity</u>
STAR Ohio	\$ 265,130	51%	< 1 year
Money Market Funds	179,759	35%	< 1 year
Mutual Bond Fund	<u>73,951</u>	<u>14%</u>	< 1 year
	<u>\$ 518,840</u>	<u>100%</u>	

*Credit Risk.* It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments in STAR Ohio and the Money Market Funds were both rated AAAM by Standard & Poor's. The mutual bond fund was not rated.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

*Interest Rate Risk.* In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

#### **4. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and certain tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of the prior January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 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 year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 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 year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value listed as of December 31, 2010. 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 School District prior to June 30.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amounts available as advances at June 30, 2011 were \$164,466 in the General Fund and \$40,257 in the Debt Service Fund.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second Half Collections</u>		<u>2011 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 281,898,370	89.47%	281,883,110	84.45%
Public Utilities	17,501,270	5.55%	51,706,743	15.49%
Tangible Personal Property	<u>15,690,190</u>	<u>4.98%</u>	<u>210,850</u>	<u>0.06%</u>
Total Assessed Value	\$ <u>315,089,830</u>	<u>100.00%</u>	<u>333,800,703</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.04		\$39.58	

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance 7/1/10	Additions	Disposals	Balance 6/30/11
<b>Governmental Activities</b>				
<b>Nondepreciable:</b>				
Land	\$ 2,475,849	-	-	2,475,849
<b>Depreciable:</b>				
Buildings and Improvements	44,833,321	-	-	44,833,321
Furniture and Equipment	4,077,830	64,685	(28,091)	4,114,424
Vehicles	260,583	-	-	260,583
Subtotal	<u>49,171,734</u>	<u>64,685</u>	<u>(28,091)</u>	<u>49,208,328</u>
Totals at historical cost	<u>51,647,583</u>	<u>64,685</u>	<u>(28,091)</u>	<u>51,684,177</u>
Less accumulated depreciation:				
Buildings and Improvements	6,278,387	601,923	-	6,880,310
Furniture and Equipment	3,691,600	116,017	(28,091)	3,779,526
Vehicles	228,370	2,670	-	231,040
Total accumulated depreciation	<u>10,198,357</u>	<u>720,610</u>	<u>(28,091)</u>	<u>10,890,876</u>
Capital assets, net	\$ <u>41,449,226</u>	<u>(655,925)</u>	<u>-</u>	<u>40,793,301</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 599,116
Special education	2,654
Support services:	
Pupil	1,749
Instructional staff	13,495
Administration	1,869
Fiscal	3,486
Operation and maintenance of plant	56,347
Central	20,932
Extracurricular activities	<u>20,962</u>
Total depreciation expense	\$ <u>720,610</u>

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Indiana Insurance Company for general commercial, fleet and employee benefits liability and Cincinnati Insurance Company for boiler and machinery coverage. Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

The School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the 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. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

For fiscal year 2011, the School District participated in the Butler Health Plan (BHP), a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to associates, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

**7. PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81%. The remaining 2.19% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$265,000, \$286,000, and \$183,000 respectively; 84% has been contributed for 2011 and 100% for fiscal years 2010 and 2009.

**State Teachers Retirement System**

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

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) times the final average salary.



**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service credit over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Under the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursements of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouse and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were approximately \$1,303,000, \$1,138,000, and \$1,203,000, respectively; 85% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The School District's liability is 6.2% of wages paid.

**8. POSTEMPLOYMENT BENEFITS**

The School 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). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2011, 2010, and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the fiscal years ended June 30, 2011, 2010, and 2009 were approximately \$93,000, \$88,000, and \$93,000, respectively; 85% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

SERS administers two postemployment benefit plans:

*Medicare Part B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocated a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was 0.76%. The School District contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were approximately \$14,000, \$17,000, and \$13,000, respectively; 84% has been contributed for 2011 and 100% for fiscal years 2010 and 2009.

*Health Care Plan* - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate was the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$27,000, \$66,000, and \$85,000, respectively; 84% has been contributed for 2011 and 100% for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**9. EMPLOYEE BENEFITS**

**Compensated Absences**

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

Employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 220 days. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**10. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2011 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 121,732	4,166,721	2,967	706,282
Debt Service Fund	3,346,876	-	-	-
Other Governmental Funds	717,000	18,887	706,496	3,181
Total	\$ 4,185,608	4,185,608	709,463	709,463

The interfund loans were made to provide operating capital and maintain debt service. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) used unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) maintain debt services.

**11. SHORT TERM OBLIGATIONS**

A summary of the short-term note transaction for the year ended June 30, 2011 follows:

	Principal Outstanding 7/1/10	Additions	Deletions	Principal Outstanding 6/30/11
Tax anticipation notes	\$ -	1,000,000	(1,000,000)	-

*Tax Anticipation Notes* – On February 3, 2011, the School District issued \$1,000,000 of tax anticipation notes bearing interest at 2.5% and matured on June 30, 2011.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

**12. LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 7/1/10	Additions	Deletions	Principal Outstanding 6/30/11	Due Within One Year
<b>Governmental Activities</b>					
Long-term notes	\$ 4,011,000	-	(61,000)	3,950,000	132,000
Unamortized discounts	(46,186)	-	3,084	(43,102)	-
General obligation bonds	7,665,000	-	(325,000)	7,340,000	435,000
Unamortized premiums	428,022	-	(21,761)	406,261	-
Refunded general obligation bonds	19,325,000	-	-	19,325,000	-
Unamortized premiums	1,276,684	-	(65,471)	1,211,213	-
COPS bonds payable	980,000	-	(40,000)	940,000	35,000
Unamortized premiums	5,977	-	(305)	5,672	-
Capital leases payable	416,360	-	(114,355)	302,005	127,392
Retirement incentive payable	-	161,151	-	161,151	32,230
Compensated absences	689,570	71,001	(38,915)	721,656	32,365
Total Governmental Activities	\$ <u>34,751,427</u>	<u>232,152</u>	<u>(663,723)</u>	<u>34,319,856</u>	<u>793,987</u>

*Long-term Notes* – In August 2004 and April 2005, the School District issued a total of \$4,585,000 in general long-term notes for the purpose of constructing a stadium and an athletic field house. The notes, bearing rates ranging from 3.10% to 4.36%, will be retired from the General Fund and mature in January 2034.

*General Obligation Bonds* – In April 2002, the School District issued \$29,910,228 in general obligation bonds for the purpose of constructing a new high school building and related land purchases. The bonds, bearing rates ranging from 4.25% to 5.75%, will be retired from the Debt Service Fund and mature in December 2020.

*Refunded General Obligation Bonds* – In October 2006, the School District issued \$19,640,000 to refund a portion of the 2002 general obligation bonds. The bonds mature in 2029. The bonds, bearing rates ranging from 3.75% to 5.50%, will be retired from the Debt Service Fund and mature in December 2029.

*COPS Bonds* – In February 2010, the School District issued certificates of participation bonds in the amount of \$980,000 for the purpose of acquiring land and buildings for the administration building and bus garage. The bonds, bearing rates ranging from 1.75% to 5.25%, will be retired from the General Fund and mature in December 2029.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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*Retirement Incentive* – In fiscal year 2011, the School District offered a one-time voluntary retirement incentive of \$45,000 for those eligible for retirement under the plan that will be paid over five years.

Compensated absences will be paid from the fund where the employee’s salary is paid, which is typically the General Fund.

At June 30, 2011, the School District’s overall legal debt margin was \$2,437,063 and an unvoted debt margin of \$333,801.

Principal and interest requirements to retire the long-term notes outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Long-Term Notes		
	Principal	Interest	Total
2012	\$ 132,000	147,990	279,990
2013	138,000	118,528	256,528
2014	145,000	115,333	260,333
2015	152,000	112,000	264,000
2016	160,000	108,527	268,527
2017-2021	925,000	484,205	1,409,205
2022-2026	1,042,000	368,780	1,410,780
2027-2031	727,000	223,444	950,444
2032-2034	529,000	48,800	577,800
Total	\$ 3,950,000	1,727,607	5,677,607

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

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2012	\$ 435,000	1,179,059	1,614,059
2013	505,000	1,158,958	1,663,958
2014	475,000	1,139,194	1,614,194
2015	595,000	1,130,288	1,725,288
2016	750,000	1,130,288	1,880,288
2017-2021	5,055,000	5,376,158	10,431,158
2022-2026	8,625,000	3,582,538	12,207,538
2027-2030	10,225,000	966,713	11,191,713
Total	\$ 26,665,000	15,663,196	42,328,196

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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Principal and interest requirements to retire the COPS bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	COPS Bonds Payable		
	Principal	Interest	Total
2012	\$ 35,000	40,468	75,468
2013	35,000	39,855	74,855
2014	35,000	39,155	74,155
2015	40,000	38,324	78,324
2016	40,000	37,224	77,224
2017-2021	215,000	163,588	378,588
2022-2026	270,000	111,369	381,369
2027-2030	270,000	36,750	306,750
Total	\$ 940,000	506,733	1,446,733

**13. CAPITAL LEASE OBLIGATIONS**

During previous fiscal years, the School District entered into lease agreements for the acquisition of equipment and improvements related to the primary building. Assets acquired under these leases were \$553,394. The terms of each agreement provide options to purchase the equipment and improvements. These leases meet the criteria of a capital lease as defined by FASB guidance, which defines a capital lease as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the in the governmental fund financial statements.

The following is a schedule of the present value of the future minimum lease payments for the capital leases as June 30, 2011

Year Ending June 30	
2012	\$ 156,842
2013	156,841
2014	<u>32,444</u>
Total Future Minimum Lease Payments	346,127
Less: Amount Representing Interest	<u>44,122</u>
Present Value of Future Minimum Lease Payments	\$ <u>302,005</u>



**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

**14. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>	\$			
Inventory	-	-	12,276	12,276
Interfund loan borrowing	-	1,897,691	-	1,897,691
<i>Total Nonspendable</i>	-	1,897,691	12,276	1,909,967
<b><i>Restricted for</i></b>				
Food Service	-	-	18,762	18,762
Athletics	-	-	26,835	26,835
Management Information System	-	-	5,000	5,000
Data Communication	-	-	2,100	2,100
Education Jobs	-	-	55,532	55,532
Race to the Top	-	-	1,845	1,845
Fiscal Stabilizatoin	-	-	237,586	237,586
Limited English Proficiency	-	-	8,227	8,227
Drug-Free Schools	-	-	2,611	2,611
Improving Teacher Quality	-	-	19,139	19,139
Miscellaneous Private Grants	-	-	51,198	51,198
Other Purposes	-	-	5,093	5,093
Debt Service Payments	-	1,672,224	-	1,672,224
Capital Improvements	292,237	-	-	292,237
<i>Total Restricted</i>	292,237	1,672,224	433,928	2,398,389
<b><i>Committed to</i></b>				
Handicap Open Enrollment	24,651	-	-	24,651
<i>Total Committed</i>	24,651	-	-	24,651
<b><i>Assigned to</i></b>				
Capital Improvements	-	-	250,050	250,050
Public School Support	99,379	-	-	99,379
Encumbrances	132,978	-	-	132,978
<i>Total Assigned</i>	232,357	-	250,050	482,407
<b><i>Unassigned (Deficit)</i></b>	(6,349,509)	-	(114,018)	(6,463,527)
<b><i>Total Fund Balance</i></b>	\$ (5,800,264)	3,569,915	582,236	(1,648,113)

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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The deficit fund balances were created by the application of generally accepted accounting principles. At June 30, 2011, the following funds had a deficit fund balance:

General Fund	\$ 6,349,509
Other Governmental Funds:	
Special Education Grant Fund	<u>114,018</u>
	<u>\$ 6,463,527</u>

**15. JOINTLY GOVERNED ORGANIZATIONS**

*Butler Technology and Career Development Schools*

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in, nor responsibility for Butler Tech. The School District paid \$18,740 to Butler Tech during fiscal year 2011 for its online program. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

*Southwestern Ohio Computer Association*

The Southwestern Ohio Computer Association (SWOCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. The School District paid \$93,600 in fees to SWOCA during fiscal year 2011. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**16. INSURANCE PURCHASING POOLS**

*Butler Health Plan*

The School District participates in the Butler Health Plan (BHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BHP at 400 North Erie Boulevard, Suite B, Hamilton, OH 45011.

*Ohio School Boards Association Workers' Compensation Group Rating Plan*

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

**17. CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**Litigation**

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

**18. REQUIRED SET-ASIDES**

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

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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

		<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2010	\$	-	256,054
Current year set-aside requirement		349,084	349,084
Current year qualifying expenditures		(144,354)	(106,619)
Excess qualified expenditures from prior years		(623,555)	-
Current year offsets		-	(206,282)
Total		<u>(418,825)</u>	<u>292,237</u>
Set-aside reserve balance as of June 30, 2011	\$	<u>-</u>	<u>292,237</u>

Effective July 1, 2011, House Bill 30 repealed the State statute requiring school districts to annually set aside funds for acquisition of textbooks and other instructional materials.

**19. COMPLIANCE AND ACCOUNTABILITY**

The School District was not in compliance with legal provisions as follows:

The School District was in violation of Ohio Revised Code Sections 5705.38(B) and 5705.39 by not filing the appropriations with the County Auditor during the fiscal year. This led to the School District violating Ohio Revised Code Section 5705.41(B), by incurring expenditures in excess of appropriations.

Also, certain transfers made by the School District during the fiscal year were in violation of Ohio Revised Code Sections 5705.05-.06 and 5705.14-.16.

**20. SUBSEQUENT EVENT**

In August 2011, the School District issued \$1,400,000 in tax anticipation notes bearing a rate of 2.25% and maturing June 27, 2012.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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**21. FISCAL CAUTION AND FISCAL WATCH**

In July 2012, the Treasurer left the School District for another position. August 2012, the School District contracted with Baird and Associates who prepared a Five-Year Forecast. Baird discovered that the Treasurer had used the Bond Retirement Fund to pay for facility loans and other General Fund expenditures, which were not authorized by the voters when they passed the Bond Levy in 2004. Also in August 2012, the Interim Treasurer negotiated the borrowing of \$1,400,000 through a Tax Anticipation Note after discovering unpaid invoices and a cash shortfall to the extent that an immediate loan was necessary to meet payroll obligations. Subsequent, on October 1, 2011, the Ohio Department of Education placed the School District in Fiscal Caution.

The School District's Fiscal Recovery Plan, which proposed major reductions in staff and services, was rejected and on February 2, 2012, the School District was placed in Fiscal Watch by the Ohio State Auditor. A second Fiscal Recovery Plan is due on April 2, 2012.

**22. FISCAL EMERGENCY**

The School District had been deficit spending for several years, but the Superintendent and Board of Education were not made aware of it because funds were transferred between accounts without their knowledge or approval. Not only were funds inappropriately spent from the Bond Retirement Fund, numerous transactions were posted incorrectly to other funds also. The Treasurer was licensed by the State and had received numerous awards for excellence in financial reporting. In addition, financial audits for several years failed to convey improper accounting practices. For more than three years, the Board and Superintendent relied on financial reports they believed were true and accurate.

Once the expenditures from the Bond Retirement Fund were discovered, the Ohio State Auditor performed an analysis and determined that \$2,098,306 was charged inappropriately to the Bond Retirement Fund from 2005 through 2010. In 2011, an additional \$1,003,851 was charged to the Bond Retirement Fund.

The Ohio State Auditor asked Clark Schaefer Hackett, who conducted the audits for 2008, 2009, and 2010, to reissue the financial audit for FY 2010. The revised and unaudited financial statements for June 30, 2010 reported a General Fund balance of (\$3,289,544). The revised audit has been issued.

Upon the School District's request, the Ohio State Auditor rescinded the five-year contract with Clark Schaefer Hackett for the FY 2011 audit and beyond. The Ohio State Auditor performed the financial audit for FY 2011.

**MONROE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

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As reported, the School District engaged in cash flow borrowing of \$1,400,000 in August 2011. An attempt was made to borrow another \$600,000 in February 2012. The School District was not successful because the County Auditor could not certify the debt obligation. However, additional funds were received from open enrollment through State foundation, and this provided a cash cushion until tax revenue was received.

Also in February 2012, the Board of Education asked the Ohio State Auditor to perform a Deficit Audit, so that if an emergency was declared, the School District would be prepared to receive Solvency Assistance from the State Controlling Board. The Deficit Audit has been completed. It certifies a deficit of \$2,204,000 on June 30, 2012.

A Performance Audit by the Ohio State Auditor is in process and the results are still pending.

The School District has taken steps to recover from the deficit. The Board hired an experienced Treasurer in November 2011. The Board also authorized \$1,700,000 reductions in staff and services. Fiscal policies and practices have been implemented to ensure compliance with State Law and accounting standards. Improvements have been made in financial reporting so that it is accurate, verifiable, and truthful so the Board and Superintendent have information they need to oversee and manage the School District.

In spite of these changes, the financial condition of the School District still met the criteria for fiscal emergency as defined in Ohio Revised Code Section 3316.03 and the Ohio State Auditor placed the School District under Fiscal Emergency on May 9, 2012. The Ohio Department of Education is in the process of appointing a Commission to oversee the development and implementation of a recovery plan to resolve the deficit of \$2,204,000. The Board of Education passed a resolution requesting money from the State's Solvency Assistance Fund.

The School District has asked the Ohio State Auditor for an extended period of time to pay back the \$3,101,887 which was misappropriated from the Bond Retirement Fund. The Ohio State Auditor has approved the School District paying back the debt over a five-year term beginning in September 2012. The Board has passed a resolution authorizing the pay back of this loan in quarterly increments of \$155,107.90 through June 30, 2017.

Separate from that issue is the operating deficit. Further cuts will likely be necessary in addition to a tax levy to support ongoing operations. The Board has approved an Emergency Property Tax Levy to be placed on the ballot in August 12, 2012. It is for 7.05 mills and for five years. It is expected to generate \$2,503,508 each year.

**MONROE LOCAL SCHOOL DISTRICT**

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Property taxes	\$ 6,094,656	5,594,656	5,971,040	376,384
Intergovernmental	6,380,322	6,380,322	6,619,591	239,269
Interest	15,000	15,500	8,537	(6,963)
Tuition and fees	632,300	632,300	511,060	(121,240)
Payments in lieu of taxes	1,250,000	1,900,000	1,679,193	(220,807)
Miscellaneous	83,938	83,957	10,868	(73,089)
<b>Total revenues</b>	<u>14,456,216</u>	<u>14,606,735</u>	<u>14,800,289</u>	<u>193,554</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,113,389	8,200,333	8,865,601	(665,268)
Special education	206,895	209,112	226,077	(16,965)
Support services:				
Pupil	658,574	665,631	719,632	(54,001)
Instructional staff	825,862	834,712	902,430	(67,718)
Board of Education	71,380	72,145	77,998	(5,853)
Administration	1,514,813	1,531,046	1,655,255	(124,209)
Fiscal	482,333	487,501	527,051	(39,550)
Business	110,714	111,901	120,979	(9,078)
Operation and maintenance of plant	1,298,852	1,312,771	1,419,272	(106,501)
Pupil transportation	592,514	598,863	647,447	(48,584)
Central	119,827	121,112	130,937	(9,825)
Non-instructional services:				
Extracurricular activities	50,855	51,400	55,570	(4,170)
Debt service:				
Principal	400,000	400,000	400,000	-
Interest and fiscal charges	10,208	10,208	10,208	-
<b>Total expenditures</b>	<u>14,456,216</u>	<u>14,606,735</u>	<u>15,758,457</u>	<u>(1,151,722)</u>
Excess of revenues over (under) expenditures	-	-	(958,168)	(958,168)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	9,854	9,854
Transfers out	-	-	(706,282)	(706,282)
Advances in	-	-	200,000	200,000
Proceeds from sale of notes	-	-	1,000,565	1,000,565
<b>Total other financing sources (uses):</b>	<u>-</u>	<u>-</u>	<u>504,137</u>	<u>504,137</u>
Net change in fund balance	-	-	(454,031)	(454,031)
Fund balance, beginning of year	(1,830,469)	(1,830,469)	(1,830,469)	
Prior year encumbrances appropriated	188,831	188,831	188,831	
Fund balance, end of year	\$ <u>(1,641,638)</u>	<u>(1,641,638)</u>	<u>(2,095,669)</u>	

See accompanying notes to required supplementary information.

**MONROE LOCAL SCHOOL DISTRICT**  
 Notes to Required Supplementary Information  
 Year Ended June 30, 2011

**Note A Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) 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 GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP Basis).

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ (2,372,793)
Increase / (decrease):	
Due to inclusion of the Emergency Levy Fund	1,008,757
Due to inclusion of the Public School Support Fund	1,966
Due to revenues	634,085
Due to expenditures	(717,251)
Due to other sources (uses)	1,207,452
Due to encumbrances	<u>(216,247)</u>
Net change in fund balance - Budget Basis	\$ <u><u>(454,031)</u></u>



**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution): National School Lunch Program	2011	10.555		\$59,781		\$59,781
Cash Assistance: National School Breakfast Program	2011	10.553	\$40,861		\$40,861	
National School Lunch Program	2011	10.555	240,230		240,230	
Total Child Nutrition Cluster			281,091	59,781	281,091	59,781
Total U.S. Department of Agriculture			281,091	59,781	281,091	59,781
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2011	84.027	356,207		385,928	
	2010	84.027	(18,537)		(6,552)	
	2009	84.027	10,841		-	
	2008	84.027	24,330		-	
	2007	84.027	(16,725)		-	
	2006	84.027	91		-	
ARRA - Special Education - Grants to States	2011	84.391	257,317		297,392	
	2010	84.391	-		54,733	
Total Special Education Grants to States			613,524		731,501	
Special Education - Preschool Grants	2011	84.173	2,577		2,577	
	2008	84.173	643		-	
	2007	84.173	(643)		-	
Total Special Education - Preschool Grants			2,577		2,577	
Total Special Education Cluster			616,101		734,078	
Title I Grants to Local Educational Agencies	2011	84.010	100,207		100,207	
	2010	84.010	51,123		29,494	
	2009	84.010	(35,685)		-	
	2008	84.010	(5,466)		-	
	2007	84.010	14,996		-	
	2010	84.389	1,538		-	
Total Title I Grants to Local Educational Agencies			126,713		129,701	
Safe & Drug Free Schools	2011	84.186	2,872		2,872	
	2010	84.186	21		1,953	
	2009	84.186	7,496		-	
	2008	84.186	(8,611)		-	
	2004	84.186	(9)		-	
	2003	84.186	(28)		-	
Total Safe & Drug Free Schools			1,741		4,825	
State Grants for Innovative Programs	2009	84.298	1,865		-	
	2008	84.298	(1,611)		-	
	2007	84.298	(254)		-	
Total State Grants for Innovative Programs			-		-	
Education Technology State Grants	2011	84.318	603		3,561	
	2008	84.318	(79)		-	
	2007	84.318	(135)		-	
Total Education Technology State Grants			389		3,561	
Title III English Language Acquisition Grant	2011	84.365	17,758		17,767	
	2010	84.365	(888)		7,443	
	2009	84.365	990		-	
Total Title III English Language Acquisition Grant			17,860		25,210	

(Continued)

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011  
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Improving Teacher Quality State Grants	2011	84.367	38,753		38,753	
	2010	84.367	(2,914)		6,497	
	2009	84.367	(16,077)		-	
	2008	84.367	(18,595)		-	
	2007	84.367	<u>35,260</u>		<u>-</u>	
Total Improving Teacher Quality State Grants			36,427		45,250	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2011	84.394	402,529		402,529	
ARRA - Race to the Top	2011	84.395	9,910		9,910	
Education Jobs	2011	84.410	<u>166,564</u>		<u>166,564</u>	
Total U.S. Department of Education			<u>1,378,234</u>		<u>1,521,628</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b><u>\$1,659,325</u></b>	<b><u>\$59,781</u></b>	<b><u>\$1,802,719</u></b>	<b><u>\$59,781</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Monroe Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The transfers below were not approved by ODE. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following program amounts:

<b>Fund</b>	<b>Grant/Year</b>	<b>CFDA #</b>	<b>Transfer In</b>	<b>Transfer Out</b>
516-9206	Special Education/2006	84.027	91	
516-9207	Special Education/2007	84.027		(16,725)
516-9208	Special Education/2008	84.027	24,330	
516-9209	Special Education/2009	84.027	10,841	
516-9210	Special Education/2010	84.027		(18,537)
533-9211	Education Technology/2011	84.318	214	
599-9207	Education Technology/2007	84.318		(135)
599-9208	Education Technology/2008	84.318		(79)
551-9209	Title III English Language Acquisition/2009	84.365	990	
551-9210	Title III English Language Acquisition/2010	84.365		(888)
551-9211	Title III English Language Acquisition/2011	84.365		(102)
572-9207	Title I/2007	84.010	7,682	
572-9208	Title I/2008	84.010		(3,605)
572-9209	Title I/2009	84.010		(35,685)
572-9210	Title I/2010	84.010	51,123	
572-9211	Title I/2011	84.010		(26,506)
572-9307	Title I – Neglected/2007	84.010	7,314	
572-9308	Title I – Neglected/2008	84.010		(1,861)
572-932N	ARRA – Title I/2010	84.389	1,538	

Monroe Local School District  
 Butler County  
 Notes to the Federal Awards Receipts and Expenditures Schedule  
 Page 2

573-9207	State Grants for Innovative Programs/2007	84.298		(254)
573-9208	State Grants for Innovative Programs/2008	84.298		(1,611)
573-9209	State Grants for Innovative Programs/2009	84.298	1,865	
584-9203	Safe & Drug Free Schools/2003	84.186		(28)
584-9204	Safe & Drug Free Schools/2004	84.186		(9)
584-9208	Safe & Drug Free Schools/2008	84.186		(8,611)
584-9209	Safe & Drug Free Schools/2009	84.186	7,496	
584-9210	Safe & Drug Free Schools/2010	84.186	21	
584-9211	Safe & Drug Free Schools/2011	84.186	1,131	
587-9207	Special Education – Preschool/2007	84.173		(643)
587-9208	Special Education – Preschool/2008	84.173	643	
590-9207	Improving Teacher Quality/2007	84.367	35,260	
590-9208	Improving Teacher Quality/2008	84.367		(18,595)
590-9209	Improving Teacher Quality/2009	84.367		(16,077)
590-9210	Improving Teacher Quality/2010	84.367		(2,914)
590-9211	Improving Teacher Quality/2011	84.367	2,326	



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Monroe Local School District  
Butler County  
500 Yankee Road  
Monroe, Ohio 45050

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 24, 2012, wherein we noted the District was placed in fiscal watch effective February 2, 2012 and fiscal emergency effective May 9, 2012, and incurred an operating loss and negative assets balance that raise substantial doubt about its ability to continue as a going concern. We also noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-02 through 2011-04, and 2011-06 through 2011-10 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 2011-01 through 2011-03 and 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 24, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

May 24, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Monroe Local School District  
Butler County  
500 Yankee Road  
Monroe, Ohio 45050

To the Board of Education:

### Compliance

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

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

As described in finding 2011-11 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Special Education and State Fiscal Stabilization Fund major federal programs. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Monroe Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

The results of our auditing procedures also disclosed other instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2011-12, 2011-13, and 2011-14.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-11 and 2011-13 through 2011-14 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-12 to be a significant deficiency.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated May 24, 2012.



Monroe Local School District  
Butler County  
Independent Accountants' Report on Compliance with Requirements Applicable  
To Each Major Federal Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 3

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

May 24, 2012

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**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified – SFSF and Special Education Cluster Unqualified – Nutrition Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.394: ARRA – State Fiscal Stabilization Fund (SFSF) - Education  Special Education Cluster: CFDA #84.027: Special Education - Grants to States CFDA #84.391: ARRA – Special Education - Grants to States CFDA #84.173: Special Education - Preschool Grants  Nutrition Cluster: CFDA #10.553: National School Breakfast Program CFDA #10.555: National School Lunch Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2011-01**

**Noncompliance**

**Ohio Revised Code, Section 5705.38(B)**, provides that a board of education shall pass its annual appropriation measure by the first day of October. If a school district's annual appropriation measure is delayed as permitted by law, the board may pass a temporary measure for meeting the ordinary expense of the school district until it passes an annual appropriation measure.

Also, **Ohio Revised Code, Section 5705.39**, in part, states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The Board of Education did not approve permanent appropriations until October 25, 2010. The Board of Education approved amended appropriations on January 24, 2011 and June 6, 2011. However, the prior Treasurer did not submit any of the appropriation resolutions to the County Auditor. Since the appropriation resolutions were not submitted to the County Auditor, the prior Treasurer did not receive the required certificates and therefore the District's appropriations were not effective.

Failure to approve appropriations by the required deadline and submit appropriations to the County Auditor can result in overspending and negative fund balances. We recommend the District approve appropriations by the required date and submit all appropriation resolutions to the County Auditor.

**Official's Response:**

The Treasurer will prepare and submit permanent appropriation resolutions to the Board for approval, and then to the Butler County Auditor prior to September 30<sup>th</sup> of each year. The Treasurer will also request changes in appropriations. The Treasurer will provide a reason for changes in appropriations and they will be documented in the minutes. All appropriations approved by the Board will be posted along with a narrative documenting justification in the minutes.

In addition, the Treasurer will present appropriations in comparison to estimated receipts and appropriations the Board will only be asked to authorize appropriations up to a level not exceeding estimated resources.

**FINDING NUMBER 2011-02**

**Noncompliance/Material Weakness**

**Ohio Revised Code, Section 5705.10(H)**, provides that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Uniform School Supplies Fund (Fund 009) had negative fund balances throughout the year [highest negative fund balance of \$33,319 at September 30, 2010].

The General Fund had a negative fund balance of \$414,320 at January 31, 2011, and \$921,911 [adjusted] at June 30, 2011.

The Emergency Levy Fund (Fund 016) had a negative fund balance of \$122,498 at January 31, 2011, \$334,639 at February 28, 2011, and \$851,934 [adjusted] at June 30, 2011.

**FINDING NUMBER 2011-02  
(Continued)**

We recommend the District monitor fund balances and take corrective action such as advancing funds, if possible. The District should follow the procedures in Auditor of State Bulletin 97-003 for the advancing of funds.

**Officials' Response:**

The Treasurer will monitor fund balances throughout the year, and request advance or transfer of funds to support expenses and prevent a deficit in the fund. Fund balances and changes in balances will be part of the Treasurer's report each month. All transfers and advances will be presented to the Superintendent and the Board, and the Treasurer will document the reason for the transfer. Transfers and advances will be made only upon authorization through a Board resolution. The Treasurer's request, supporting justification, and Board authorization will be clearly documented in the minutes.

In addition, a list of Blanket Purchase Orders, including the amounts, purpose and vendors will be approved by the Board at the beginning of each year.

**FINDING NUMBER 2011-03**

**Noncompliance/Material Weakness**

**Ohio Revised Code, Sections 5705.05-.06, 5705.14, 5705.15, and 5705.16**, state no transfer can be made from one fund of a subdivision to any other fund, except as defined in the above mentioned Ohio Revised Code Sections. Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution passed by a simple majority is required. A simple majority constitutes a quorum of greater than 50% of the members.)

During fiscal year 2011 the prior Treasurer improperly transferred \$9,854 from the Butler Tech Career Grant Fund (Fund 019-9813) to the General Fund and \$77,468 from the Emergency Levy Fund (Fund 016) to the Permanent Improvement Fund (Fund 003). The Board of Education did not approve the transfer from the Butler Tech Career Grant Fund to the General Fund via resolution.

Adjustments were posted to the accounting system and accompanying financial statements to reverse the improper transfers. Failure to properly transfer monies between funds could result in misappropriation of funds. We recommend that the Board of Education approve all transfers via a formal resolution. Monies should be transferred only for the allowable purposes as defined in the Ohio Revised Code.

**Officials' Response:**

When the need arises, the Treasurer will recommend transfers to the Superintendent and the Board of Education. He/she will explain the reason for the transfer and indicate how it is for an allowable purpose. Transfers will be made only upon approval through a Board resolution. A document showing that the transfer had been made will be included in the monthly report to the Board in the month following the transfer.

**FINDING NUMBER 2011-04**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Appropriations were not accurately posted to the financial accounting system at June 30, 2011 as follows:

<b>Fund</b>	<b>Approved Appropriations</b>	<b>Appropriations Posted to the Accounting System</b>	<b>Variance</b>
General (001)	\$0	\$16,286,701	\$(16,286,701)
Bond Retirement (002)	0	2,555,915	(2,555,915)
Permanent Improvement (003)	0	824,200	(824,200)
Food Service (006)	0	825,571	(825,571)
Special Trust (007)	0	8,929	(8,929)
Uniform School Supplies (009)	0	71,841	(71,841)
Emergency Levy (016)	0	3,290,261	(3,290,261)
Public School Support (018)	0	104,405	(104,405)
Other Grant (019)	0	37,954	(37,954)
Student Managed Activity (200)	0	152,218	(152,218)
District Managed Activity (300)	0	2,309,418	(2,309,418)
Management Information System (432)	0	6,100	(6,100)
Data Communication (451)	0	8,000	(8,000)
Education Jobs (504)	0	166,564	(166,564)
Race to the Top (506)	0	10,665	(10,665)
IDEA Part B Grants (516)	0	795,509	(795,509)
Fiscal Stabilization (532)	0	402,529	(402,529)
Title II-D Technology (533)	0	3,561	(3,561)
Limited English Proficiency (551)	0	17,768	(17,768)
Title I (572)	0	107,715	(107,715)
Drug Free School (584)	0	3,325	(3,325)
IDEA Preschool-Handicapped (587)	0	2,848	(2,848)
Improving Teacher Quality (590)	0	51,707	(51,707)

The Board approved original budget appropriations of \$14,456,216 and final budget appropriations of \$14,606,735, although they were not submitted to the County Auditor as noted in Finding Number 2011-01. The District reported original budget appropriations of \$14,615,145, final budget appropriations of \$16,464,739, and final actual expenditures of \$17,380,032 for the General Fund in the accompanying financial statements (respective differences of \$158,929; \$1,858,004; and \$915,293). The District posted adjustments to the accompanying financial statements.

**FINDING NUMBER 2011-04  
 (Continued)**

The District lacks management oversight in monitoring estimated resources. The final amended certificate for fiscal year 2011 was not submitted for approval to the County Budget Commission until July 6, 2011. The County Budget Commission approved the certificate July 21, 2011. Due to the District not requesting budget commission approval prior to the fiscal year end, the amounts listed on the certificate cannot be considered for determining compliance or to support budgeted revenues in the District's budgetary statements. The last certificate approved during the fiscal year by the County Budget Commission was approved on January 20, 2011. Therefore, estimated receipts were not accurately posted to the financial accounting system at June 30, 2011 as follows:

<b>Fund</b>	<b>Estimated Receipts per 1/20/11 Amended Certificate</b>	<b>Estimated Receipts posted to the accounting system</b>	<b>Variance</b>
General (001)	\$14,606,735	\$16,010,707	\$1,403,973
Bond Retirement (002)	2,139,600	2,175,043	35,443
Permanent Improvement (003)	22,000	675,681	653,681
Food Service (006)	828,500	854,519	26,019
Special Trust (007)	5,660	84,662	79,002
Uniform School Supplies (009)	104,327	76,386	(27,941)
Emergency Levy (016)	3,692,000	3,342,958	(349,042)
Public School Support (018)	109,782	103,215	(6,567)
Other Grant (019)	26,000	21,135	(4,865)
Student Managed Activity (200)	123,315	135,413	12,098
District Managed Activity (300)	661,023	2,311,101	1,650,077
Management Information System (432)	4,000	6,100	2,100
Data Communication (451)	7,000	8,000	1,000
Other State Grants (499)	0	(4,333)	(4,333)
Education Jobs (504)	150,000	166,564	16,564
Race to the Top (506)	25,000	9,910	(15,090)
IDEA Part B Grants (516)	612,840	648,786	35,946
Fiscal Stabilization (532)	322,720	402,529	79,809
Title II-D Technology (533)	395	3,561	3,166
Limited English Proficiency (551)	17,860	17,869	9
Title I (572)	115,080	167,864	52,784
Drug Free School (584)	1,741	1,741	0
IDEA Preschool-Handicapped (587)	3,191	3,220	29
Improving Teacher Quality (590)	53,523	36,427	(17,096)

**FINDING NUMBER 2011-04  
(Continued)**

As such, the District reported final budgeted receipts of \$16,010,708 for the General Fund in the accompanying financial statements. Final budgeted receipts per the January 2011 amended certificate should be \$14,606,735 (difference of \$1,403,973). The District posted adjustments to the accompanying financial statements.

Failure to properly post appropriations and estimated receipts can result in an inability to monitor unrealized budgetary receipts and remaining uncommitted balances of appropriations timely and accurately. Failure to properly report appropriations and estimated resources could result in inaccurate financial statements. We recommend the District properly post appropriations and estimated receipts to the financial accounting system. The Board of Education should approve all certificates of estimated resources. The final certificate of estimated resources should be prepared and approved prior to fiscal year end. The District should implement procedures to verify that the correct amount of appropriations and estimated resources have been reported in the financial statements.

**Officials' Response:**

The Treasurer will prepare Amended Certificates and Appropriations and submit to the Superintendent and Board of Education for approval. The estimated receipts and appropriations will be posted to the financial system and they will agree with the official budgetary documents. The beginning balance and estimated receipts together will not exceed appropriations. Finally, amended certificates and revisions in appropriations will be prepared throughout the year, and submitted to the Board of Education for approval, and then submitted to the County Budget Commission for approval also. The Treasurer will provide a report from the system showing a comparison of actual receipts and expenses to budgeted amounts each month at the fund level.

**FINDING NUMBER 2011-05**

**Noncompliance**

**Ohio Revised Code, Section 5705.41(B)**, states no taxing authority shall make any expenditures of money unless it has been appropriated.

The prior Treasurer did not submit any of the fiscal year 2011 appropriation resolutions to the County Auditor. Since the appropriation resolutions were not submitted to the County Auditor, the prior Treasurer did not receive the required certificates and therefore the District's appropriations were not effective. Therefore, all expenditures exceeded appropriations at June 30, 2011.

Failure to enact appropriations may result in negative fund balances. We recommend the District take steps to ensure appropriations are being properly approved, monitored, and recorded in the accounting system. No expenditure should be made unless funds have been sufficiently appropriated.

**Officials' Response:**

The Treasurer will monitor requisitions and budgetary balances, and approve requisitions only up to the amount appropriated. The Treasurer will submit to the Board increases and decreases in appropriations and an explanation for the change. Changes in appropriations will not exceed estimated resources. The Treasurer will provide the Board with a certificate each year received from the County Auditor confirming that appropriations do not exceed estimated resources.



### FINDING NUMBER 2011-06

#### Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The prior Treasurer completed monthly bank reconciliations. However, the reconciliations were not reviewed or approved by any supervisory personnel other than the prior Treasurer. The prior Treasurer did not accurately reconcile the bank account to the fund balances during the audit period.

The outstanding check amounts on the monthly cash reconciliations did not match to accounting system generated reports. We were able to verify the correct amount of monthly outstanding checks through alternative audit procedures.

The reconciled bank balance does not equal the book balance at June 30, 2011. The reconciled bank balance is \$1,881 higher than the book balance.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. District officials rely on accurate reconciliations to make sound financial decisions.

We recommend that the Treasurer's Office accurately reconcile on a monthly basis. The Treasurer's Office should maintain proper supporting documentation for all deposits in transit, outstanding checks, and other reconciling items. The Treasurer's Office should document and adequately explain all other adjustment factors. Any unexplained differences should be investigated and resolved immediately. The Board of Education members should review and sign the reconciliations indicating their approval. The Board of Education should document approval of the monthly bank reconciliations in the minutes.

#### Officials' Response:

The Treasurer will reconcile the system cash records with the bank on a monthly basis. The records will be reconciled to a zero variance. The monthly cash reconciliation will be presented to the Board of Education each month and approved as part of the regular Treasurer's Financial Report. Since the prior treasurer did not reconcile to a zero balance for several years, the records will now be reconciled to the same number on a consistent basis for twelve months. After twelve months, an adjustment will be made so that records can then be reconciled to zero.

### FINDING NUMBER 2011-07

#### Material Weakness

The management of each school is responsible for the design and implementation of any internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

During fiscal year 2011 the prior Treasurer posted unsupported adjustments as identified in the table below. The Board of Education did not approve these adjustments. The prior Treasurer did not maintain proper supporting documentation for adjustments.

**FINDING NUMBER 2011-07  
 (Continued)**

<b>Fund</b>	<b>Special Cost Center</b>	<b>Fund Description</b>	<b>Positive Receipt</b>	<b>Negative Receipt</b>
019	9814	Supt. Grant - Monroe Elementary	\$ 512	
019	9819	Misc. Grants	100	
019	9821	Monroe Area Community Foundation Grant	1	
019	9822	21st Century Grant Partnership	5	
019	9820	Misc. Other Grants		\$(617)
019	9812	SERRC Grant		(2,613)
019	9820	Misc. Other Grants	2,613	
200	0	General Student Activities		(147)
200	913C	LMHS French Activity Fund	147	
001	908A	Test Fees	995	
018	908C	Principal's Fund - Lemon Monroe HS		(995)
009	0	Uniform School Supplies Fund	655	
001	9996	Foundation Payment Open Enroll Handicap		(655)
018	9851	MHS Principal Fund - Jesse Mayabb Scholarship	140	
018	908C	Principal's Fund - Lemon Monroe HS		(140)
019	9850	DARE	5,320	
001	9996	Foundation Payment Open Enroll Handicap		(5,320)
300	0	General Other Sports Orien. Activity	17,737	
300	960C	LMHS Athletics		(5,079)
001	9996	Foundation Payment Open Enroll Handicap		(12,658)
499	9207	Supplemental Gifted Grant - FY07	7,538	
499	9208	Etech Prof Development Grant		(6,555)
499	9209	Etech Prof Development Grant - FY09		(5,256)
499	9307	FY07 State Library Grant	21	
499	9397	Partnership 2000/Parent Invov Grant (LMHS)		(81)
001	0	General Fund	4,333	
440	9206	Entry Year Programs		(77)
440	9209	Entry Year Teachers - FY09		(5,829)
440	9208	Entry Year Teachers - FY08	5,906	

The District should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information. Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Adjustments were posted to the accompanying financial statements and the accounting records for the transfers and adjustments which affected fund balances. Failure to properly post adjustments can result in inaccurate records and cause the District to misappropriate funds. We recommend that the District properly post all adjustments. The District should maintain proper supporting documentation for all adjustments. The Board of Education should approve all adjustments.

**FINDING NUMBER 2011-07  
(Continued)**

**Officials' Response:**

The Treasurer will follow accepted accounting principles in posting adjustments to funds. All adjustments will be supported by detailed supporting documentation sufficient to prove the adjustment was proper, necessary and legal. The Board Finance Committee will be provided a report of accounting adjustments. The members of the committee will be shown documented proof that adjustments agree with the amount approved and with the authorized objective.

**FINDING NUMBER 2011-08**

**Material Weakness**

There are no statutory provisions that directly address interfund advances, but the requirements of advances are in part derived from Ohio Revised Code Sections 5705.10; 5705.14, 5705.15 and 5705.16; 5705.39; 5705.41; and 5705.36. Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions.

- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
  - A specific statement that the transaction is an advance of cash, and
  - An indication of the money (fund) from which it is expected that repayment will be made.

During fiscal year 2011 the prior Treasurer advanced a total of \$283,750 from the Permanent Improvement Fund-Fund 003 to the General Fund-Fund 001 (\$200,000) and Emergency Levy Fund-Fund 016 (\$83,750). The creditor and debtor funds do not have the same purpose. The Board of Education did not approve the advance via a formal resolution.

Adjustments were posted to the accounting system and accompanying financial statements to reverse the improper advances. Failure to properly advance monies between funds could result in misappropriation of funds. We recommend that the Board of Education approve all advances via a formal resolution. There must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

**Officials' Response:**

The Treasurer will recommend advances between funds to the Superintendent and Board of Education, and will only advance funds with their authorization. The Board approval will be through a formal resolution at a public meeting and be documented in the minutes. The Resolution will include when the advance will be returned to the supporting fund.

## FINDING NUMBER 2011-09

### Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District did not properly report financial activity for the fiscal year ended June 30, 2011. We noted the following errors:

- The District incorrectly reported the amount of bonds payable outstanding at June 30, 2011. Bonds payable was understated by \$2,474,771.
- The District incorrectly reported the Foundation Payment Open Enrollment Fund [001-9996] as part of Unassigned Fund Balance rather than Committed Fund Balance (\$24,651).
- The District incorrectly omitted the Ruth Yinger Scholarship Fund from the June 30, 2011 financial statements (\$73,951); however, the fund was properly included in the accounting system.
- The District incorrectly reported the following funds as part of Other Governmental Funds rather than as Private Purpose Trust Funds [total fund balance of \$11,654 at June 30, 2011]: Neediest Kids of All [007-908M], Lemon-Monroe High School Awards [007-9852], Jenny Justice Scholarship [007-9853], John Shane Hayes Scholarship [007-9856], and Academic Hall of Fame [007-9857].
- The Treasurer's Office incorrectly posted debt service expenditures to the Debt Service Fund rather than the General Fund (\$1,003,851).
- The Treasurer's Office incorrectly posted homestead/rollback monies entirely to the General Fund rather than allocating the monies to the General Fund, Debt Service Fund, and Emergency Levy Fund (\$106,261 for the Debt Service Fund; \$127,210 for the Emergency Levy Fund).
- The Treasurer's Office incorrectly posted state foundation settlement monies entirely to the General Fund rather than allocating the monies to the Debt Service Fund and Emergency Levy Fund (\$234,977 for the Debt Service Fund; \$285,732 for the Emergency Levy Fund).
- The Treasurer's Office incorrectly posted Academic Hall of Fame donation receipts for \$1,600 to the Principal's Fund-8<sup>th</sup> Grade Team [018-908D] rather than the Academic Hall of Fame Fund [007-9857].
- The Board of Education properly approved a transfer of \$500,000 from the General Fund to the Athletic Fund [Fund 300]. However, the prior Treasurer incorrectly posted the transfer out from the Emergency Levy Fund [Fund 016] rather than the General Fund. The prior Treasurer subsequently posted two additional entries to the accounting system to correct the initial error. However, the Treasurer also incorrectly posted those entries.
- The Treasurer's Office incorrectly posted state grant receipts of \$1,100 to the EMIS Fund [Fund 432] rather than the OneNet Fund [Fund 451].
- The prior Treasurer incorrectly transferred FEMA grant money of \$2,967 from the Miscellaneous Federal Grants Fund [Fund 599] to the Title II-D Fund [Fund 533]. The Board of Education approved this transfer. The prior Treasurer should have adjusted expenditures from the General Fund to match with the federal reimbursement in Fund 599 rather than post a transfer.

**FINDING NUMBER 2011-09  
(Continued)**

The District made adjustments to the accompanying financial statements and notes and the accounting system for the above items.

Failure to properly record and report financial activity can result in inaccurate financial statements. The lack of proper management oversight could result in material misstatement relating to financial data. The District should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information. Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of financial report summaries of sufficient detail (monthly detail revenue and expenditure reports) with independently accumulated information (budgets, past performance, etc.)
- Review of revenue/expenditures
- Identification of unusual fluctuations
- Review of monthly reconciliations

**Officials' Response:**

The Treasurer will provide monthly reports to the Superintendent and Board of Education. The reports will include the monthly cash reconciliation and a review of monthly revenue and expenses. The Treasurer will also identify and explain fluctuations in actual revenue and expenses, and variances between actual and budgeted amounts. In addition, given the special situation at Monroe LSD, the Treasurer will provide a monthly report of transactions within the Bond Retirement Fund.

**FINDING NUMBER 2011-10**

**Material Weakness**

The management of each school is responsible for the design and implementation of any internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

During fiscal year 2011 the prior Treasurer posted expenditure adjustments for "memo vendor-payable" to the accounting system. The Board of Education did not approve these expenditure adjustments. The prior Treasurer did not maintain proper supporting documentation for these expenditure adjustments. The following fund balance audit adjustments were required to correct the improper expenditure adjustments:

**FINDING NUMBER 2011-10  
 (Continued)**

<b>Fund</b>	<b>Change in Fund Balance</b>
General Fund	\$310,875
Emergency Levy (Fund 016)	(812,820)
Food Service (Fund 006)	8,829
Miscellaneous Grants (Fund 019)	11,598
EMIS (Fund 432)	6,100
OneNet (Fund 451)	1,000
Education Jobs (Fund 504)	80,036
Race to the Top (Fund 506)	2,100
Title VI-B (Fund 516)	118,678
SFSF (Fund 532)	237,586
Title II-D (Fund 533)	3,201
Title III (Fund 551)	8,236
Title I (Fund 572)	9,711
Drug Free Schools (Fund 584)	2,611
IDEA (Fund 587)	460
Improving Teacher Quality (Fund 590)	11,799

We deemed the expenditure adjustments to the federal grant funds (Fund 500's) to be federal questioned costs. See Finding 2011-12.

Adjustments were posted to the accompanying financial statements and the accounting records for the expenditure adjustments noted above.

Failure to properly post expenditure adjustments can result in inaccurate records and cause the District to misappropriate funds. We recommend that the District properly post all expenditure adjustments. The District should maintain proper supporting documentation for all expenditure adjustments. The Board of Education should approve all expenditure adjustments.

The District should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information. Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

**Officials' Response:**

The Treasurer will oversee all posting of transactions. The vendor "Memo Payable" will no longer be used. All transactions will be described in the system, and be accompanied by detailed supporting documentation. The Treasurer will provide the Superintendent and Board of Education with a listing of all budgetary memo checks and warrants, to assist in monitoring this activity.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**FINDING NUMBER 2011-11**

**Noncompliance/Questioned Costs/Material Weakness - Allowable Costs/Cost Principles**

<b>Finding Number</b>	2011-11
<b>CFDA Title and Number</b>	84.027 Special Education – Grants to States 84.173 Special Education – Preschool Grants 84.391 ARRA – Special Education – Grants to States 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) - Education
<b>Federal Award Year</b>	2007 [84.027, and 84.173] 2010 [84.027 and 84.391] 2011 [84.391, 84.394, 84.173]
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section C(1)(j)** provides that for a cost to be allowable, the expenditure must be adequately documented.

The Treasurer's Office adjusted certain federal grant funds [i.e. used for unallowable expenditures or expenditures for which they provided no documentation to support the adjustments] resulting in questioned costs totaling \$700,691 as follows:

<b>Grant/Year</b>	<b>CFDA #</b>	<b>Amount Questioned:</b>
Education Jobs-ARRA/2011	84.410	\$106,277
Special Education/2007	84.027	16,725
Special Education/2010	84.027	23,149
Special Education-ARRA/2010	84.391	50,030
Special Education-ARRA/2011	84.391	121,844
State Fiscal Stabilization Fund-ARRA/2011	84.394	237,585
Title I/2008	84.010	3,605
Title I/2009	84.010	35,685
Title I/2011	84.010	42,052
Title I – Neglected/2008	84.010	1,861
Safe & Drug Free Schools/2003	84.186	28
Safe & Drug Free Schools/2004	84.186	9
Safe & Drug Free Schools/2008	84.186	8,611
Safe & Drug Free Schools/2010	84.186	1,043
Safe & Drug Free Schools/2011	84.186	1,699
Special Education – Preschool/2007	84.173	643
Special Education – Preschool/2011	84.173	460
Improving Teacher Quality/2008	84.367	18,595
Improving Teacher Quality/2009	84.367	16,077
Improving Teacher Quality/2010	84.367	2,914
Improving Teacher Quality/2011	84.367	11,799

The above table includes both major and non-major programs. The major programs are noted in the table heading.

**FINDING NUMBER 2011-11  
 (Continued)**

We recommend that the District use federal grant funds for expenditures allowable under Circular A-87. The Board of Education should approve all adjustments to federal grant funds. The Treasurer's Office should maintain supporting documentation for all adjustments.

**Officials' Response:**

The Treasurer will authorize only those expenditures that comply with the grant agreement. Transactions will be coded and described and include supporting documents to prove they are in compliance. All documentation for budget adjustments will be maintained with evidence of the transaction to describe the adjustment and prove it agrees with what is allowable in the grant.

**FINDING NUMBER 2011-12**

**Noncompliance/Significant Deficiency – 1512 Vendor Reporting**

<b>Finding Number</b>	2011-12
<b>CFDA Title and Number</b>	84.391 ARRA – Special Education – Grants to States
<b>Federal Award Number/Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c)** require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During 2011 the Treasurer's Office reported to ODE via the 1512 ARRA Subrecipient Vendor Report the following single payments from ARRA-State Fiscal Stabilization Fund grant monies in excess of \$25,000:

- Expenditures to Duke Energy (in 2nd, 3rd, and 4th Quarter).
- An expenditure to SMART Solutions (in 4th Quarter).



**FINDING NUMBER 2011-12  
 (Continued)**

These purchases were reported to ODE on the 1512 ARRA Subrecipient Vendor report. However, we could not verify these expenditures or that they were in excess of \$25,000. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding. We recommend that the Treasurer's Office properly report all vendors receiving single payments of \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report, provide support for these expenditures, and verify that expenditures less than \$25,000 are not included.

**Officials' Response:**

The Treasurer will properly report vendors on the ODE 1512 ARRA Subrecipient Vendor report. All expenditures will be verifiable with proper coding and recording, and will be substantiated with supporting invoices, system reports, and other documents that clearly indicate the vendor, purpose and amount of the transaction. Only those payments that exceed \$25,000 will be recorded on the ODE 1512 ARRA Subrecipient Vendor.

**FINDING NUMBER 2011-13**

**Noncompliance/Material Weakness – Final Expenditure Report**

<b>Finding Number</b>	2011-13
<b>CFDA Title and Number</b>	84.027 Special Education – Grants to States 84.173 Special Education – Preschool Grants 84.391 ARRA – Special Education – Grants to States
<b>Federal Award Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

The Ohio Department of Education established grant guidelines as part of the 2011 Comprehensive Continuous Improvement Plan (CCIP) application dated March 7, 2011, which requires all amounts reported on the Final Expenditure Report to reconcile to the District's accounting system used to prepare annual financial statements.

Contrary to the above requirement, the District's Consolidated Final Expenditure Report (FER) for the Special Education Program did not reconcile to the accounting system used to prepare the annual financial statements as noted below:

<b>Grant</b>	<b>Expenditures per District's Accounting System</b>	<b>Amount per Final Expenditure Report</b>	<b>Variance</b>
Special Education – Grants to States (IDEA, Part B)	\$461,141	\$355,980	\$105,161
Special Education – Grants to States (IDEA, Part B), Recovery Act	325,695	257,317	68,378

Further, **34 C.F.R. Section 80.43(a)** states "If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions, as appropriate in the circumstances:

**FINDING NUMBER 2011-13  
 (Continued)**

- (1) Temporarily withhold cash payments pending correction of the deficiency by the grantee or sub-grantee or more severe enforcement action by the awarding agency,
- (2) Disallow (that is, deny both the use of funds and matching credit for) all or part of the cost of the activity or action not in compliance,
- (3) Wholly or partly suspend or terminate the current award for the grantee's or subgrantee's program,
- (4) Withhold further awards for the program, or
- (5) Take other remedies that may be legally available.

Amounts reported on the Final Expenditure Reports were budgeted amounts, not actual expenditures.

To achieve compliance with these requirements, we recommend that the Treasurer review the Final Expenditure Report for each grant prior to its being submitted by the District and compare that report to the actual expenditures recorded in the expenditure ledgers. Furthermore, we recommend the District develop and maintain effective controls over all grant requirements.

**Officials' Response:**

The Treasurer will complete Final Expenditure Reports for Grants, and they will agree with the financial data in the system. In addition, FER's will be in compliance with the approved grant budget and the nature of the expense will be the same as authorized the grant application. FER's, once approved, will be included in the Treasurer's report to the Board.

**FINDING NUMBER 2011-14**

**Noncompliance/Material Weakness - Reporting**

<b>Finding Number</b>	2011-14
<b>CFDA Title and Number</b>	10.553 National School Breakfast Program 10.555 National School Lunch Program 84.027 Special Education – Grants to States 84.391 ARRA – Special Education – Grants to States 84.173 Special Education – Preschool Grants
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	US Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**FINDING NUMBER 2011-14  
(Continued)**

The Treasurer's Office did not accurately report receipts and expenditures on the 2011 Federal Awards Receipts and Expenditures Schedule (SFARE). We noted the following errors:

- The Treasurer's Office omitted receipts and expenditures for the National School Breakfast and National School Lunch programs (\$40,861 for Breakfast; \$240,230 for Lunch).
- The Treasurer's Office incorrectly reported the receipts and expenditures for the National School Lunch program [Food Distribution](difference of \$227,503).
- The Treasurer's Office omitted receipts and expenditures for the Education Jobs grant (\$166,564 for both receipts and expenditures).
- The Treasurer's Office omitted receipts and expenditures for the Race to the Top grant (\$9,910 for both receipts and expenditures).
- The Treasurer's Office incorrectly reported receipts and expenditures for the following grants due to improperly posted transfers/adjustments: Special Education Cluster, Title I, Safe & Drug Free Schools, State Grants for Innovative Programs, Education Technology State Grants, Title III English Language Acquisition Grant, and Improving Teacher Quality. See Finding 2011-12 for federal questioned costs related to these transfers/adjustments.

Both major and non-major federal funds have been noted in this finding. The major funds included in this finding are noted in the table heading.

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Adjustments were posted to the Federal Awards Receipts and Expenditures Schedule to correct the above errors. The lack of proper management oversight could result in misstatements relating to financial data. To improve record keeping and accountability of financial activity we recommend that the Treasurer's Office properly report all federal grant award receipts and expenditures. The District should develop review procedures over the reporting of District federal receipts and expenditures.

**Officials' Response:**

The Treasurer will complete the Federal Awards Receipts and Expenditures Schedule (SFARE) at the end of each year and accurately report receipts and expenditures. The Treasurer will ensure that the amounts agree with actual receipts and expenses for the grants. This report will be included in the Treasurer's monthly report.

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**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-1	The District restated governmental net assets and certain fund balance as of June 30, 2009.	Yes	
2010-2	Material misstatements were identified in the financial statements.	No	Not Corrected; re-issued as Finding 2011-10
2010-3	Ohio Revised Code 5705.41(B), expenditures exceed appropriations.	No	Not Corrected; re-issued as Finding 2011-05
2010-4	Ohio Revised Code 5705.39, appropriations exceeded estimated revenue.	No	Not Corrected; re-issued as Finding 2011-01
2010-5	The District did not properly comply with the ODE 1512 ARRA subrecipient vendor reporting requirements.	No	Not Corrected; re-issued as Finding 2011-13

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**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
FISCAL YEAR END JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-11	The School District will insure that all Federal Grant funds are used for allowable expenditures, as documented in the grant agreement. They will include supporting documentation and be coded appropriately.	5-25-12	Holly J. Cahall
2011-12	The School District will insure that all future ARRA SECTION 1512 (b) and (C) vendor reporting will be done correctly by incorporating the recommendation into the reporting process.	5-25-12	Holly J. Cahall
2011-13	The School District will insure that all Final Expenditure Reports agree with the actual expenditures in the proper category and amount, and it will agree with the data recorded in the District's financial system. Supporting documentation will be maintained with the report for review and substantiation.	5-25-12	Holly J. Cahall
2011-14	The School District will insure that all future Federal Awards Schedules will accurately reflect all receipts and expenses of the grant for the fiscal year. The Federal Awards Schedule will be reviewed for accuracy and supporting documentation will be maintained with the report. The report will be shared with the Board Finance Subcommittee and supporting documentation will be included.	5-25-12	Holly J. Cahall

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Monroe Local School District  
Butler County  
500 Yankee Road  
Monroe, Ohio 45050

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Monroe Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 25, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

**Dave Yost**  
Auditor of State

May 24, 2012





# Dave Yost • Auditor of State

**MONROE LOCAL SCHOOL DISTRICT**

**BUTLER 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  
JUNE 14, 2012**