



Dave Yost • Auditor of State

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

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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 School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Local School District, Butler County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

For the year ended June 30, 2012, the School District revised its financial presentation to the cash basis of accounting, which is a comprehensive accounting basis other than generally accepted accounting principles; however, the School District presented the financial statements in a format comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. The School District had an operating loss of (\$1,183,444) for the year ended June 30, 2012, that raises substantial doubt about its ability to continue as a going concern. As described in Note 22 to the financial statements, 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 April 2, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

April 2, 2013

Monroe Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of Monroe Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

The School District was eligible for the Solvency Assistance program through the State due to the School District being declared in fiscal emergency in fiscal year 2012.

The School District reduced staff levels during fiscal year 2012.

Using this Annual Financial Report

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

Report Components:

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The Notes to the Basic Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Monroe Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Basis of Accounting:

The basis of accounting is a set of guidelines that determines when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities – Cash Basis:

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2012, within the limitations of the cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.

Monroe Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements:

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund and the Permanent Improvement Fund.

Governmental Funds:

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011 on a cash basis:

Table 1 Net Assets			
	2012	2011	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,975,533	\$548,942	\$2,426,591
Net Assets			
Restricted	2,184,824	4,071,252	(1,886,428)
Unrestricted	790,709	(3,522,310)	4,313,019
<i>Total Net Assets</i>	\$2,975,533	\$548,942	\$2,426,591

Monroe Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Current assets consisting of cash and cash equivalents increased by \$2,426,591. This was mainly due to the Solvency Assistance received from the State for \$2,204,000. The School District was eligible for the assistance through the State due to the School District being declared in fiscal emergency in fiscal year 2012.

Table 2 shows the changes in net assets for 2012. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34 under the cash basis, receipt and disbursement comparisons to 2011 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	2012
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$2,087,981
Operating Grants and Contributions	1,415,014
<i>Total Program Receipts</i>	3,502,995
General Revenues:	
Property Taxes	11,994,860
Payment in lieu of taxes	1,395,488
Grants and Entitlements	6,563,722
Interest	1,014
Gifts and Donations	28,481
Tax Anticipation Notes Issued	1,400,000
Premium on Notes Issued	6,035
Solvency Assistance	2,204,000
Miscellaneous	84,424
<i>Total General Receipts</i>	23,678,024
<i>Total Receipts</i>	\$27,181,019

Monroe Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Changes in Net Assets
(continued)

	2012
Expenses:	
Instruction	11,316,919
Support Services:	
Pupils	1,145,157
Instructional Staff	1,098,590
Board of Education	126,760
Administration	1,618,760
Fiscal	558,361
Business	120,992
Operation and Maintenance of Plant	1,464,375
Pupil Transportation	1,782,907
Central	359,700
Operation of Non-Instructional Services	831,650
Extracurricular Activities	693,469
Capital Outlay	539,245
Principal	1,870,000
Interest and Fiscal Charges	1,227,543
<i>Total Expenses</i>	<u>24,754,428</u>
<i>Change in Net Assets</i>	2,426,591
<i>Net Assets at Beginning of Year (Restated)</i>	<u>548,942</u>
<i>Net Assets at End of Year</i>	<u>\$2,975,533</u>

Governmental Activities

The School District's governmental activities disbursements, exceeded program receipts in fiscal year 2012 by \$21,251,433 and, with an infusion of \$23,678,024 of general receipts, resulted in a \$2,426,591 increase in net assets. Total net assets used in governmental activities have now increased to \$2,975,533.

The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting and include the General Fund, Bond Retirement Fund and the Permanent Improvement Fund. All governmental funds had total receipts of \$23,570,984 and disbursements of \$24,754,428. The three major funds account for 92 percent and 93 percent of receipts and disbursements, respectively.

The General Fund had an increase in fund balance of \$4,316,347. This was the result of an advance of \$3,102,158 from the Bond Fund. In addition, the School District received a \$2,204,000 from the State's Solvency Assistance program.

Monroe Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The Bond Retirement Fund had a decrease in fund balance of \$2,052,714. This fund is used for the retirement of the \$29,910,227 School Improvement Bonds authorized in April, 2002.

The Permanent Improvement Fund had an increase in fund balance of \$127,197. This increase was the result of moving inside millage, approved in fiscal year 2011. The first tax settlement received was received in March, 2012.

General Fund Budgeting 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.

Disbursements increased by \$3,102,158 because the Board approved repaying the Bond Retirement Fund for the expenses paid out of the Bond Retirement Fund each year since fiscal year 2005. Then, the Board approved advancing \$3,102,158 from the Bond Fund to the General Fund. This advance will be repaid to the Bond Retirement Fund in an amount of \$620,431 for each of five years.

For the General Fund, final budget basis receipts were \$18,629,166 a \$257,998 increase from the original budgeted receipts. Final budget basis disbursements increased \$3,230,551 mainly due to the reasons stated above about why revenues and disbursements increased.

Debt Administration

Table 3 summarizes the debt outstanding:

Table 3
Outstanding Debt, at Fiscal Year-end
Governmental Activities

	2012	2011
2002 School Improvement Bonds	\$6,905,000	\$7,340,000
2006 School Improvement Bonds	19,325,000	19,325,000
Certificates of Participation	905,000	940,000
Solvency Assistance Advance	2,204,000	0
Total	\$29,339,000	\$27,605,000

For more information on Debt, see Notes 12, 13 and 14 of the Basic Financial Statements.

Monroe Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Holly Cahall, Treasurer, 500 Yankee Road, Monroe, Ohio 45050, or email at hcahall@monroelocalschools.com.

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Monroe Local School District
Statement of Net Assets - Cash Basis
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,975,533</u>
Net Assets:	
Restricted for:	
Debt Service	1,476,944
Capital Outlay	387,494
Other Purposes	320,386
Unrestricted	<u>790,709</u>
<i>Total Net Assets</i>	<u><u>\$2,975,533</u></u>

See Accompanying Notes to the Basic Financial Statements

Monroe Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts			Net (Expenses) Receipts and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$9,471,324	\$1,138,180	\$319,100	(\$8,014,044)
Special	1,807,074	89,981	345,001	(\$1,372,092)
Vocational	10,086	0	27,799	\$17,713
Student Intervention Services	28,435	0	5,409	(\$23,026)
Support Services:				
Pupil	1,145,157	9,629	164,544	(\$970,984)
Instructional Staff	1,098,590	56,149	219,521	(\$822,920)
Board of Education	126,760	0	0	(\$126,760)
Administration	1,618,760	4,161	1,085	(\$1,613,514)
Fiscal	558,361	0	0	(\$558,361)
Business	120,992	0	0	(\$120,992)
Operation and Maintenance of Plant	1,464,375	17,756	1,115	(\$1,445,504)
Pupil Transportation	1,782,907	0	0	(\$1,782,907)
Central	359,700	3,119	7,200	(\$349,381)
Operation of Non-Instructional Services	831,650	586,718	324,090	\$79,158
Extracurricular Activities	693,469	182,288	150	(\$511,031)
Capital Outlay	539,245	0	0	(\$539,245)
Debt Service:				
Principal	1,870,000	0	0	(\$1,870,000)
Interest and Fiscal Charges	1,227,543	0	0	(\$1,227,543)
<i>Total Governmental Activities</i>	<u>\$24,754,428</u>	<u>\$2,087,981</u>	<u>\$1,415,014</u>	<u>(21,251,433)</u>

General Revenues:

Property taxes, levied for general purposes	
General Purposes	9,433,616
Debt Service	2,244,472
Capital Outlay	316,772
Payment in lieu of taxes	1,395,488
Grants and entitlements not restricted to specific programs	6,563,722
Gifts and donations not restricted to specific programs	28,481
Interest	1,014
Miscellaneous	84,424
Tax Anticipation Notes Issues	1,400,000
Premium on Notes Issued	6,035
Solvency Assistance	2,204,000

Total General Receipts 23,678,024

Change in Net Assets 2,426,591

Net Assets at Beginning of Year (Restated - Note 20) 548,942

Net Assets at End of Year \$2,975,533

See Accompanying Notes to the Basic Financial Statements

Monroe Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2012

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$794,037	\$1,476,944	\$387,494	\$317,058	\$2,975,533
Fund Balances					
Restricted	\$0	\$1,476,944	\$387,494	\$320,386	\$2,184,824
Committed	6,950	0	0	0	6,950
Assigned	297,314	0	0	0	297,314
Unassigned (Deficit)	489,773	0	0	(3,328)	486,445
<i>Total Fund Balances</i>	\$794,037	\$1,476,944	\$387,494	\$317,058	\$2,975,533

See Accompanying Notes to the Basic Financial Statements

Monroe Local School District
Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$9,433,616	\$2,244,472	\$316,772	\$0	\$11,994,860
Payments in Lieu of Taxes	1,395,488	0	0	0	1,395,488
Intergovernmental	6,432,843	456,675	31,290	1,057,147	7,977,955
Interest	1,014	0	0	0	1,014
Tuition and Fees	1,195,918	0	0	0	1,195,918
Rent	17,756	0	3,119	6,733	27,608
Extracurricular Activities	100,306	0	0	175,258	275,564
Gifts and Donations	8,132	0	20,000	1,130	29,262
Charges for Services	2,173	0	0	586,718	588,891
Miscellaneous	59,602	0	13,961	10,861	84,424
<i>Total Receipts</i>	<u>18,646,848</u>	<u>2,701,147</u>	<u>385,142</u>	<u>1,837,847</u>	<u>23,570,984</u>
Disbursements					
Current:					
Instruction:					
Regular	9,088,246	0	0	383,078	9,471,324
Special	1,798,390	0	0	8,684	1,807,074
Vocational	0	0	0	10,086	10,086
Student Intervention Services	22,291	0	0	6,144	28,435
Support Services:					
Pupils	974,178	0	0	170,979	1,145,157
Instructional Staff	856,167	0	0	242,423	1,098,590
Board of Education	126,760	0	0	0	126,760
Administration	1,617,236	0	0	1,524	1,618,760
Fiscal	515,076	37,644	5,641	0	558,361
Business	120,992	0	0	0	120,992
Operation and Maintenance of Plant	1,461,003	0	0	3,372	1,464,375
Pupil Transportation	1,782,907	0	0	0	1,782,907
Central	281,173	0	69,227	9,300	359,700
Operation of Non-Instructional Services	0	0	0	831,650	831,650
Extracurricular Activities	554,385	0	4,238	134,846	693,469
Capital Outlay	380,365	0	158,880	0	539,245
Debt Service:					
Principal Retirement	1,435,000	435,000	0	0	1,870,000
Interest and Fiscal Charges	28,525	1,179,059	19,959	0	1,227,543
<i>Total Disbursements</i>	<u>21,042,694</u>	<u>1,651,703</u>	<u>257,945</u>	<u>1,802,086</u>	<u>24,754,428</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,395,846)</u>	<u>1,049,444</u>	<u>127,197</u>	<u>35,761</u>	<u>(1,183,444)</u>
Other Financing Sources (Uses)					
Advances In	3,102,158	0	0	0	3,102,158
Solvency Assistance	2,204,000	0	0	0	2,204,000
Tax Anticipation Notes Issued	1,400,000	0	0	0	1,400,000
Premium on Notes Issued	6,035	0	0	0	6,035
Advances Out	0	(3,102,158)	0	0	(3,102,158)
<i>Total Other Financing Sources (Uses)</i>	<u>6,712,193</u>	<u>(3,102,158)</u>	<u>0</u>	<u>0</u>	<u>3,610,035</u>
<i>Net Change in Fund Balance</i>	4,316,347	(2,052,714)	127,197	35,761	2,426,591
<i>Fund Balances at Beginning of Year (Restated - Note 20)</i>	<u>(3,522,310)</u>	<u>3,529,658</u>	<u>260,297</u>	<u>281,297</u>	<u>548,942</u>
<i>Fund Balances at End of Year</i>	<u>\$794,037</u>	<u>\$1,476,944</u>	<u>\$387,494</u>	<u>\$317,058</u>	<u>\$2,975,533</u>

See Accompanying Notes to the Basic Financial Statements

Monroe Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$9,250,452	\$9,433,613	\$9,433,616	\$3
Payments in lieu of taxes	2,039,908	1,395,488	1,395,488	0
Intergovernmental	6,263,893	6,432,841	6,432,843	2
Charges for services	2,415	2,173	2,173	0
Tuition and Fees	1,197,036	1,195,050	1,195,918	868
Rent	1,294	17,756	17,756	0
Interest	7,523	806	1,014	208
Extracurricular Activities	98,510	101,904	100,306	(1,598)
Gifts and Donations	229	8,001	8,132	131
Miscellaneous	25,904	41,534	42,666	1,132
<i>Total Receipts</i>	18,887,164	18,629,166	18,629,912	746
Expenditures:				
Current:				
Instruction:				
Regular	7,748,391	9,208,054	9,089,601	118,453
Special Education	1,552,897	1,825,863	1,825,803	60
Student Intervention Services	0	22,291	22,291	0
Support Services:				
Pupils	1,065,970	1,051,011	1,050,504	507
Instructional Staff	825,343	858,468	858,262	206
Board of Education	75,662	143,094	143,092	2
Administration	1,396,414	1,627,239	1,626,988	251
Fiscal	639,677	517,637	517,524	113
Business	108,761	121,086	120,992	94
Operation and Maintenance of Plant	1,487,074	1,511,995	1,510,812	1,183
Pupil Transportation	1,619,239	1,783,642	1,783,585	57
Central	164,916	289,995	289,852	143
Extracurricular Activities	8,896	554,527	554,385	142
Capital Outlay	0	380,364	380,365	(1)
Debt Service:				
Principal	1,435,000	1,435,000	1,435,000	0
Interest and Fiscal Charges	0	28,525	28,525	0
<i>Total Expenditures</i>	18,128,240	21,358,791	21,237,581	121,210
<i>Excess of Revenues over (under) expenditures</i>	758,924	(2,729,625)	(2,607,669)	121,956
Other Financing Sources (Uses)				
Transfers In	483,036	547	0	(547)
Advances In	0	3,102,158	3,102,158	0
Solvency Assistance	0	2,204,000	2,204,000	0
Tax Anticipation Notes Issued	0	1,400,000	1,400,000	0
Premium on Notes Issued	0	6,035	6,035	0
Refund of Prior Year Expenditures	0	14,791	368	(14,423)
Transfers Out	(1,465,987)	0	0	0
Refund of Prior Year Receipts	0	(1,199)	(354)	845
<i>Total Other Financing Sources (Uses)</i>	(982,951)	6,726,332	6,712,207	(14,125)
<i>Net Change in Fund Balances</i>	(224,027)	3,996,707	4,104,538	107,831
<i>Fund Balance at Beginning of Year (Restated)</i>	(3,765,150)	(3,765,150)	(3,765,150)	0
<i>Prior Year Encumbrances Appropriated</i>	242,840	242,840	242,840	0
<i>Fund Balance at End of Year</i>	(\$3,746,337)	\$474,397	\$582,228	\$107,831

See Accompanying Notes to the Basic Financial Statements

Monroe Local School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$90,634	\$56,578
Net Assets		
Held in Trust for Scholarships	\$90,634	\$0
Held on Behalf of Students	0	56,578
Total Net Assets:	\$90,634	\$56,578

See Accompanying Notes to the Basic Financial Statements

Monroe Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Gifts and Contributions	\$10,079
Interest	924
Miscellaneous	2,100
<i>Total Additions</i>	13,103
Deductions	
Payments in Accordance with Trust Agreements	10,282
<i>Changes in Net Assets</i>	2,821
<i>Net Assets at Beginning of Year (Restated - Note 20)</i>	87,813
<i>Net Assets at End of Year</i>	\$90,634

See Accompanying Notes to the Basic Financial Statements

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Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Monroe Local School District, Butler County, Ohio (the “School District”), is a political body incorporated and 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 is organized under article VI, sections 2 and 3 of the Constitution of the State of Ohio. The Monroe Local School District is governed by a locally elected, five member Board of Education (the Board), which provides educational services.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District 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 Southwest 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 Note 15.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Basis of Accounting, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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 government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, does not have any activities which are presented as business-type.

The Statement of Net Assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting 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 type.

Fund Accounting

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

Governmental Funds:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – The General Fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – The Bond Retirement Debt Service Fund is used to account for and report restricted financial resources, including property taxes, for the repayment of principal, interest and related costs of general long-term obligations..

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for and report all restricted transactions relating to the acquiring, constructing, or improving facilities within the School District.

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

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except the Agency Funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Cash and Investments

To improve cash management, all cash received by the School District is pooled into 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 financial statements.

During fiscal year 2012, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio 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 net asset value per share price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2012 was \$1,014, which included \$475 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Balances

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Net 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. Net assets restricted for other purposes include amounts for federal and State grants whose use is restricted to specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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 spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

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

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Assigned

Amounts in the assigned 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 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.

Compensated Absences

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

Capital Assets

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

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

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

NOTE 3 – 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	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total
<i>Restricted for</i>					
Food Service	\$0	\$0	\$0	\$138,814	\$138,814
Debt Service Payments	0	1,476,944	0	0	1,476,944
Permanent Improvements	0	0	387,494	0	387,494
Student Management Activities	0	0	0	108,520	108,520
Needy Kids Program	0	0	0	832	832
Special Education Grant	0	0	0	24,314	24,314
Federal Grants	0	0	0	9,658	9,658
Preschool	0	0	0	266	266
Other Grants	0	0	0	37,982	37,982
<i>Total Restricted</i>	0	1,476,944	387,494	320,386	2,184,824
<i>Committed to</i>					
Capital Improvements	6,950	0	0	0	6,950
<i>Assigned to</i>					
School Buildings	110,052	0	0	0	110,052
Unpaid Obligations	187,262	0	0	0	187,262
<i>Total Assigned</i>	297,314	0	0	0	297,314
<i>Unassigned (Deficit)</i>	489,773	0	0	(3,328)	486,445
<i>Total Fund Balances</i>	\$794,037	\$1,476,944	\$387,494	\$317,058	\$2,975,533

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund.

	<u>Net Change in Fund Balance</u>
	<u>General</u>
Cash Basis	\$4,316,347
Unrecorded Cash	(16,568)
Adjustment for Encumbrances	<u>(195,241)</u>
Budget Basis	<u><u>\$4,104,538</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

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

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2012 the School District had investments in STAROhio in the amount of \$2,614,195. The average maturity of STAROhio is 53 days. There was also a Mutual Bond Fund in the amount of \$77,342.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk:

The School District's investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

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 STAROhio was rated AAAM by Standard & Poor's. The mutual bond fund was not rated.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected 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.

The School District receives property taxes from Butler and Warren Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$281,883,110	84.45%	\$191,736,510	57.38%
Public Utility Personal	51,706,743	15.49%	83,812,970	25.08%
Tangible Personal Property	210,850	0.06%	58,584,010	17.54%
Total Assessed Value	<u>\$333,800,703</u>	<u>100.00%</u>	<u>\$334,133,490</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$39.58		\$41.54	

NOTE 7 - INTERFUND ACTIVITY

At June 30, 2012, the Bond Retirement Fund had an unpaid interfund cash advance, in the amount of \$3,102,158 for a long-term loan made to the General Fund. The School District has set up a quarterly advance repayment over a five year period to ensure the General Fund repays the advance back to the Bond Retirement Fund.

NOTE 8 - RISK MANAGEMENT

Property and Liability

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 2012, 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 fiscal years. There has been no significant reduction in the coverage from last year.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 8 - RISK MANAGEMENT (continued)

Workers' Compensation

For fiscal year 2012, the School District participated in the School District participates in the Ohio School Boards Association (OSBA) Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). 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 participants 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

Employee Medical Benefits

For fiscal year 2012, the School District participated in the Butler Health Plan (BHP), a group insurance purchasing pool (Note 15), 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$237,350, \$265,000, and \$286,000, respectively. The full amount has been contributed for all three years.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,196,585, \$1,303,000 and \$1,138,000; respectively. The full amount has been contributed for all three years.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012, were \$31,643 made by the School District and \$40,760 made by plan members. In addition, member contributions of \$57,064 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$38,646 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal year ended June 30, 2012, 2011, and 2010 were \$48,925, \$27,000, and \$66,000, respectively. The full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$14,017, \$14,000 and \$17,000; respectively. The full amount has been contributed for all three fiscal years.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$92,045, \$93,000 and \$88,000; respectively. The full amount has been contributed for all three fiscal years.

NOTE 11 – 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 a 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
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2002 School Improvement					
Bonds 3.4 to 5.75%	\$7,340,000	\$0	\$435,000	\$6,905,000	\$505,000
2006 School Improvement					
Refunding Bonds 3.75 to 4.5%	19,325,000	0		19,325,000	0
Certificates of Participation					
Serial	310,000	0	35,000	275,000	35,000
Term	630,000	0	0	630,000	0
Solvency Assistance Advance	0	2,204,000	0	2,204,000	1,102,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$27,605,000</u>	<u>\$2,204,000</u>	<u>\$470,000</u>	<u>\$29,339,000</u>	<u>\$1,642,000</u>

On April 4, 2002 the School District issued \$29,910,228 in School Improvement Bonds for the purpose of construction, improvements and equipment for School District's facilities. The bonds were issued for a 28 year period with final maturity of December 1, 2029. In 2006 the School District refunded a portion of the bonds. The remaining bonds will be paid from property tax revenues in the Bond Retirement Fund.

On October 12, 2006, the School District refunded a portion of the 2002 school improvement bonds in the amount of \$19,640,000. The bonds were issued for a 24 year period with final maturity on December 1, 2029. The bonds will be repaid from property tax revenue in the Bond Retirement Fund.

In February 2010, the School District issued certificates of participation for the purchase of land and buildings. The certificates were issued for a 20 year period in the amount of \$980,000 with final maturity on December 1, 2029. The certificates will be paid from property tax revenues in the Permanent Improvement Fund.

During fiscal year 2011, the School District received Solvency Assistance Fund Advances in the amount of \$2,204,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons indentified in Section 3301-93-03 of the Ohio Administrative Code. The advances will be repaid over two years from State foundation revenues. The repayment for the advance will begin in fiscal year 2013.

Capital leases will be paid through the General and Permanent Improvement Funds.

The School District's overall legal debt margin was \$2,937,014 with an unvoted debt margin of \$334,133 at June 30, 2012.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2012, are as follows:

	GO Bonds		Refunding Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$505,000	\$206,645	\$0	\$952,312	\$35,000	\$39,505
2014	0	195,788	475,000-	943,406	35,000	38,739
2015	595,000	195,788	0	934,500	40,000	37,774
2016	750,000	195,788	0	934,500	40,000	36,584
2017	800,000	195,788	0	934,500	40,000	35,219
2018-2022	4,255,000	507,868	1,390,000	4,634,275	225,000	149,797
2023-2027	0	0	9,460,000	3,096,325	280,000	91,656
2028-2032	0	0	8,000,000	556,650	210,000	17,063
Total	\$6,905,000	\$1,497,665	\$19,325,000	\$12,968,468	\$905,000	\$446,337

NOTE 13 – SHORT-TERM OBLIGATIONS

The changes in the School District’s short-term obligations during fiscal year 2012 were as follows:

Short-Term Obligations	Balance 6/30/2011	Additions	Deletion	Balance 6/30/2012
2012 Tax Anticipation Notes	\$0	\$1,400,000	\$1,400,000	\$0

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

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capital lease agreements for copiers, a new roof on the administrative building and athletic facilities. Total payments in 2012 totaled \$330,391.

Future Lease payments are as follows:

<u>Copiers</u>	<u>Roof</u>	<u>Fieldhouse</u>	<u>Stadium</u>	<u>Total</u>
\$75,643	\$ 81,199	\$ -	\$ 185,528	342,370
18,911	13,533	74,000	186,333	292,777
0	0	78,000	186,000	264,000
0	0	82,000	186,527	268,527
0	0	86,000	186,869	272,869
0	0	497,000	936,185	1,433,185
0	0	360,000	939,342	1,299,342
0	0	0	953,062	953,062
0	0	0	385,770	385,770
<u>\$94,554</u>	<u>\$94,732</u>	<u>\$1,177,000</u>	<u>\$4,145,616</u>	<u>\$5,511,902</u>
			Less: amount representing interest	<u>(1,594,289)</u>
			Present value of minimum lease payments	<u><u>3,917,613</u></u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS

Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$135,455 for membership and services during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS (continued)

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 paid \$5,300 to Butler Tech during fiscal year 2012 for student online courses. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan:

The School District participates in the Ohio School Boards Association (OSBA) Worker's 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.

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.

NOTE 16- SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 16- SET-ASIDE CALCULATIONS (continued)

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

	Capital Improvements
Set-aside Balance as of June 30, 2011	\$292,237
Current Fiscal Year Set-aside Requirement	391,942
Qualifying Expenditures	(62,179)
Current Fiscal Year Offsets	(622,000)
Totals	\$0
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve as of June 30, 2012	\$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year. In previous fiscal years, the School District was required to have a textbook requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook set-aside requirement.

NOTE 17 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 18 - 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, 2012.

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.

NOTE 19 – SUBSEQUENT EVENT

In January 2013, the School District issued \$700,000 in tax anticipation notes at an interest rate of 2.25 percent. The notes mature on June 30, 2013. The School District will repay the entire note back by June 26, 2013.

NOTE 20 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Change in Basis of Accounting

For fiscal year 2012, the School District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2.

Restatement of Fund Equity Balance/Net Assets

The implementation of this change had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 20 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY (continued)

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balance (Deficit)					
at June 30, 2011	(\$5,800,264)	\$3,569,915	\$54,015	\$528,221	(\$1,648,113)
Eliminate Asset Accruals	(11,864,502)	(5,516,445)	-	(756,703)	(18,137,650)
Eliminate Liability Accruals	17,664,766	2,129,312	-	247,142	20,041,220
Prior Year Cash Adjustment	(3,522,310)	3,346,876	206,282	262,637	293,485
Adjusted Fund Balance (Deficit)					
at June 30, 2011	<u>(\$3,522,310)</u>	<u>\$3,529,658</u>	<u>\$260,297</u>	<u>\$281,297</u>	<u>\$548,942</u>

Governmental Activities Net Assets June 30, 2011	\$5,997,513
Eliminate Government-Wide Financial Statement Adjustments:	
Eliminate Asset Accruals	(55,464,877)
Eliminate Liability Accruals	49,722,821
Prior Year Cash Adjustment	293,485
Adjusted Governmental Activities Net Assets, June 30, 2011	<u>\$548,942</u>

Fiduciary Net Assets June 30, 2011	\$90,203
Eliminate Asset Accruals	(2,390)
Adjusted Fiduciary Net Assets, June 30, 2011	<u>\$87,813</u>

NOTE 21 – ACCOUNTABILITY

At June 30, 2012, the Race to the Top Fund, Title III Fund, and Classroom Size Reduction Fund had a deficit fund balance of \$1,488, \$468, and \$1,372, respectively. The General Fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

Monroe Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 22 – FISCAL EMERGENCY

On May 9, 2012, the School District was declared into fiscal emergency by the Auditor of State as defined by the Ohio Revised Code Section 3316.03(B)(3). The School District had an anticipated deficit of \$2,204,000 at the time of declaration. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs to the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Butler County Auditor. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The initial recovery plan was adopted on September 12, 2012 and included placing an emergency levy for \$2,503,508 on the November 6, 2012 ballot which has subsequently been approved by the voters. Also, included in the recovery plan was the reduction of personnel with a large portion coming from the contracting maintenance/custodial services with a private company.

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**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution): National School Lunch Program	2012	10.555		\$46,791		\$46,791
Cash Assistance: National School Breakfast Program	2012	10.553	\$50,107		\$50,107	
National School Lunch Program	2012	10.555	<u>267,398</u>		<u>267,398</u>	
Total Child Nutrition Cluster			<u>317,505</u>	<u>46,791</u>	<u>317,505</u>	<u>46,791</u>
Total U.S. Department of Agriculture			<u>317,505</u>	<u>46,791</u>	<u>317,505</u>	<u>46,791</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Butler Technology & Career Development Schools:</i>						
Career and Technical Education	2012	84.048	10,086		10,086	
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2012	84.027	347,745		323,432	
Special Education - Preschool Grants	2012	84.173	659		393	
	2011	84.173	<u>614</u>		<u>614</u>	
Total Special Education - Preschool Grants			1,273		1,007	
Total Special Education Cluster			<u>349,018</u>		<u>324,439</u>	
Title I Grants to Local Educational Agencies	2012	84.010	134,326		114,569	
	2011	84.010	(10,180)		-	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	<u>6,534</u>		<u>6,534</u>	
Total Title I Grants to Local Educational Agencies			130,680		121,103	
Education Technology State Grants	2012	84.318	883		800	
Title III English Language Acquisition Grant	2012	84.365	3,235		3,703	
Improving Teacher Quality State Grants	2012	84.367	23,561		24,932	
	2011	84.367	<u>17,523</u>		<u>17,523</u>	
Total Improving Teacher Quality State Grants			41,084		42,455	
ARRA - Race to the Top	2012	84.395	23,645		25,133	
	2011	84.395	<u>2,755</u>		<u>2,755</u>	
Total ARRA - Race to the Top			26,400		27,888	
Education Jobs	2012	84.410	110,544		110,544	
	2011	84.410	-		<u>80,036</u>	
Total Education Jobs			110,544		190,580	
Total U.S. Department of Education			<u>671,930</u>		<u>721,054</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$989,435</u>	<u>\$46,791</u>	<u>\$1,038,559</u>	<u>\$46,791</u>

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Monroe Local School District's (the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - 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. These transfers resulted in the Schedule reporting some negative receipts. The School District transferred the following program amounts:

Fund	Grant/Year	CFDA #	Transfer In	Transfer Out
572-9211	Title I/2011	84.010		(10,180)
572-9212	Title I/2012	84.010	10,180	



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 School District as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 2, 2013, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the School District was placed in fiscal emergency effective May 9, 2012, and incurred an operating loss that raises substantial doubt about its ability to continue as a going concern. 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 School 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 School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2012-02 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 2, 2013.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School 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 School District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 2, 2013



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 School 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, 2012. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The School 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 School 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 School 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 School District's compliance with these requirements.

As described in finding 2012-03 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding allowable costs/cost principles applicable to its Special Education major federal program. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

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, 2012.

Internal Control Over Compliance

The School 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 School 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 School 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.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-03 to be a material weakness.

The School District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated April 2, 2013.

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.



Dave Yost
Auditor of State

April 2, 2013

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Special Education Cluster Unqualified – Nutrition Cluster, Education Jobs
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDA #84.027: 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 CFDA #84.410: Education Jobs
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-01

Noncompliance

Ohio Revised Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District. As such we recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

Upon my recommendation, the Board of Education approved using a modified cash basis of accounting to prepare the financial statements for FY 2012. The District is in Fiscal Emergency and this action was taken to reduce the cost of the preparation and the audit. We will be returning to GAAP Financial Statements no later than FY 2014. We are maintaining records as if we are doing GAAP Basis Statements so that we will be prepared to return to GAAP.

FINDING NUMBER 2012-02

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 Treasurer completed monthly bank reconciliations. However, there was an unreconciled difference each month [bank balance was higher than book balance].

The reconciled bank balance does not equal the book balance at June 30, 2012. The reconciled bank balance is \$14,034 higher than the book balance [this figure does not include the amount noted below].

Also, the Treasurer did not post interest earned on the Ruth Yinger Scholarship Account to the accounting system [reconciled difference of \$1,859--bank balance was higher than book balance].

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

We recommend that the School District accurately reconcile on a monthly basis. The School District should maintain proper supporting documentation for all deposits in transit, outstanding checks, and other reconciling items. The School District should document and adequately explain all other adjustment factors. Any unexplained differences should be investigated and resolved immediately.

**FINDING NUMBER 2012-02
 (Continued)**

Officials' Response:

Upon my recommendation the Board of Education approved a memo deposit of \$16,568.33 to correct the discrepancy. This transaction was completed on November 30, 2012. The discrepancy had been carried on the books since October 31, 2011, and now a monthly reconciliation is completed with a zero variance between the District books and the bank.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD

FINDING NUMBER 2012-03

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

Finding Number	2012-04
CFDA Title and Number	84.027 Special Education—Grants to States (IDEA, Part B) 84.173 Special Education—Preschool Grants (IDEA Preschool)
Federal Award Year	2012 - 84.027, 84.173 2011 - 84.173
Federal Agency	U.S. Department of Education
Pass-Through Agency	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 School District did not complete time and effort certifications for the employees charged to the Special Education federal grant program during the second half of fiscal year 2012. The School District did not maintain other documentation to support the work performed on this program. This resulted in questioned costs totaling \$157,135.

We recommend that the School District use federal grant funds for expenditures allowable under 2 C.F.R. Part 225, Appendix A, Section C(1)(j). The School District should complete required time and effort certifications for federal grant programs.

Officials' Response:

We now require all staff who are paid one hundred percent using Federal Grants to sign a Semi-Annual Certification as proof that they completed the work as defined in the grant agreement. Staff who work only part-time on grant activities are required to complete a Time and Effort Log. This process is in place for FY 2013.

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**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Sections 5705.38(B) and 5705.39, failure to approve appropriations by the required deadline and submit appropriations to the County Auditor	No	Partially Corrected; re-issued as management letter citation
2011-02	Ohio Rev. Code Section 5705.10(H), negative fund balances	No	Not Corrected; re-issued as management letter citation
2011-03	Ohio Rev. Code Sections 5705.05-.06, 5705.14, 5705.15, and 5705.16, failure to properly transfer monies	No	Partially Corrected; re-issued as management letter citation
2011-04	Failure to properly post appropriations and estimated resources to the accounting system	Yes	
2011-05	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations	Yes	
2011-06	Failure to complete accurate monthly bank reconciliations	No	Not Corrected; re-issued as Finding 2012-03
2011-07	Failure to monitor and approve adjustments posted to the accounting system	Yes	
2011-08	Failure to properly advance monies	Yes	
2011-09	Failure to properly report financial activity	Yes	
2011-10	Failure to monitor and approve expenditure adjustments posted to the accounting system	Yes	

Monroe Local School District
 Butler County
 Schedule of Prior Audit Findings
 Page 2

2011-11	2 C.F.R. Part 225, Appendix A, Section C(1)(j), federal questioned costs for unallowable expenditures	Yes	
2011-12	American Recovery & Reinvestment Act of 2009 (ARRA), Section 1512, failure to properly complete required 1512 ARRA subrecipient vendor reports	Yes	
2011-13	Failure to prepare accurate final expenditure reports for federal grant monies	Yes	
2011-14	Failure to accurately report federal grant activity on the federal awards receipts and expenditures schedule	Yes	

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-03	We now require all staff who are paid one hundred percent using Federal Grants to sign a Semi-Annual Certification as proof that they completed the work as defined in the grant agreement. Staff who work only part-time on grant activities are required to complete a Time and Effort Log. This process is in place for FY 2013.	FY 2013	Holly Cahall, Treasurer

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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
APRIL 23, 2013**