



Dave Yost • Auditor of State



**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

The accompanying financial statements have been prepared assuming that the District will 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.

Also, as described in Note 3, for the year ended June 30, 2013, the District prepared the financial statements in conformity with generally accepted accounting principles as applied to governmental units. In prior fiscal years, the District prepared the financial statements using the modified cash basis of accounting.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 4, 2014

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**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

As management of the Monroe Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the governmental financial statements and the notes to the financial statements to enhance their understanding of the School District's performance.

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

In fiscal year 2013, the School District received their second advance through 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, and this had a full year's effect in fiscal year 2013.

During fiscal year 2013, the School District had shared services with Middletown City School for the Business Manager and custodial services.

**Using the Basic Financial Statements**

This report consists of a series of financial statements and the notes to the financial statements. These statements are organized so the reader can understand Monroe Local School District as a whole, an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Monroe Local School District are the General Fund and the Bond Retirement Fund.

**Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities, which appears first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

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

**Fund Financial Statements**

The analysis of the School District's major funds begins on page seven. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

**Fiduciary Funds** - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the accrual basis of accounting.

**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2012:

(Table 1)  
Net Position

	Governmental Activities		Change
	2013	2012	
<b>Assets</b>			
Current and Other Assets	\$19,591,776	\$18,574,195	\$1,017,581
Capital Assets, Net	39,416,207	40,099,840	(683,633)
Total Assets	<u>59,007,983</u>	<u>58,674,035</u>	<u>333,948</u>
<b>Liabilities</b>			
Other Liabilities	1,749,687	2,075,914	(326,227)
Long-Term Liabilities	33,287,871	34,519,758	(1,231,887)
Total Liabilities	<u>35,037,558</u>	<u>36,595,672</u>	<u>(1,558,114)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	13,246,137	13,904,428	(658,291)
<b>Net Position</b>			
Net Investment in Capital Assets	10,596,247	8,250,619	2,345,628
Restricted	5,859,685	5,566,748	292,937
Unrestricted	(5,731,644)	(5,643,432)	(88,212)
Total Net Position	<u>\$10,724,288</u>	<u>\$8,173,935</u>	<u>\$2,550,353</u>

Total assets of governmental activities increased \$333,948. Current and other assets increased \$1,017,581, primarily due to cash and cash equivalent increasing due to the School District closely monitoring expenditure. Accounts and intergovernmental receivable also experienced increases. Accounts receivable increased due to an increase in tuition and fees and intergovernmental receivables due to the School District experiencing an increase in open enrollment. Capital Assets decreased \$683,633, due to current year depreciation exceeding current year additions.

Long-Term liabilities decreased \$1,231,997 due to the current year payment on long-term obligations.

Net position increased \$2,550,353. Net investment in capital assets increased \$2,345,628, due to the reduction in outstanding debt, being larger than the decrease to capital assets from depreciation expense.

Table 2 shows the highlights of the School District's revenues and expenses for fiscal year 2013. In the prior fiscal year the School District prepared financial statements following GASB Statement 34 under the cash basis. Revenues and expense comparisons to fiscal year 2012 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be available.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, and contributions. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted interest, and revenue in lieu of taxes.

**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

(Table 2)  
Change in Net Position  
Governmental Activities

	2013
<b>Revenues</b>	
Program Revenues:	
Charges for Services and Sales	\$2,168,320
Operating Grants, Contributions and Interest	1,463,650
Total Program Revenues	3,631,970
General Revenues:	
Property Taxes	11,980,097
Grants and Entitlements not Restricted to Specific Programs	6,713,662
Contributions not Restricted to Specific Programs	10,323
Interest	4,875
Revenue in Lieu of Taxes	1,223,376
Miscellaneous	71,912
Total General Revenues	20,004,245
Total Revenues	\$23,636,215

**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

(Table 2)  
Change in Net Position  
Governmental Activities  
(continued)

	2013
<b>Program Expenses</b>	
Instruction:	
Regular	\$9,304,873
Special	1,595,512
Vocational	6,231
Student Intervention Services	19,170
Support Services:	
Pupils	896,550
Instructional Staff	959,724
Board of Education	175,532
Administration	1,166,711
Fiscal	596,133
Business	34,943
Operation and Maintenance of Plant	1,392,323
Pupil Transportation	1,642,435
Central	294,694
Operation of Non-Instructional Services	876,971
Extracurricular Activities	556,948
Interest and Fiscal Charges	1,567,112
Total Expenses	21,085,862
Change in Net Position	2,550,353
Net Position at Beginning of Year - Restated (Note 3)	8,173,935
Net Position at End of Year	\$10,724,288

The School District's governmental activities revenues, exceeded expenses in fiscal year 2013, by \$2,550,353 increase in net position. Grants and entitlements not restricted to specific programs and property taxes made up 79 percent of revenues for governmental activities of the Monroe Local School District for fiscal year 2013.

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference between these two columns for each fiscal year would represent restricted grants, fees and donations.

**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

(Table 3)  
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$10,925,786	\$8,995,267
Support Services	7,159,045	6,555,671
Operation of Non- Instructional Services	876,971	55,928
Extracurricular Activities	556,948	279,914
Interest and Fiscal Charges	1,567,112	1,567,112
Total Expenses	\$21,085,862	\$17,453,892

**The School District's Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting and include the General Fund and Bond Retirement Fund. All governmental funds had total revenues of \$24,675,502 and expenditures of \$22,062,902. The two major funds accounted for 91 percent and 91 percent of revenues and expenses, respectively.

The net change in fund balance for the fiscal year in the General Fund was an increase of \$2,550,629. This was primarily due to the School District closely monitoring expenditures which resulted in expenditures being less than revenues and the School District receiving additional monies from the State solvency loan.

The Bond Retirement Fund saw an increase of \$203,573. This is the result of the School District collecting greater property tax revenues than what was required to meet its annual debt obligations.

**General Fund - Budget 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. During the course of fiscal year 2013, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$1,571,240 above the final budgeted amount in the General Fund.

**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

For the General Fund, original budget basis revenues were \$18,329,242 with final budget estimates of \$20,136,853. The difference was due mainly to underestimating property tax revenues. Actual budget basis revenue was \$305,130 above final budget estimates due to an increase in intergovernmental, tuition and fees and extracurricular activity revenues.

Original budget basis expenditures were \$20,750,422, while final budgeted expenditures were \$21,282,226. This variance is due to the School District issuing and then retiring short-term debt during the fiscal year. Actual expenditures were \$1,358,107 below final budgeted expenditures. The School District has closely monitored expenditures during the year in addition to eliminating several positions due to shared services with other school districts or educational service centers.

**Capital Assets and**

Table 4 shows fiscal year 2013 balances compared to fiscal year 2012.

Table 4  
Capital Assets (Net of Depreciation) at June 30,

	2013	2012
Land	\$2,475,849	\$2,475,849
Land Improvements	22,458	22,958
Buildings and Improvements	36,000,271	36,601,694
Furniture and Equipment	892,207	971,469
Vehicles	25,422	27,870
Totals	\$39,416,207	\$40,099,840

Overall capital assets decreased \$683,633 from fiscal year 2012 as additions did not exceed depreciation expense of \$707,706. For more information on capital assets, refer to Note 8 of the basic financial statements.

**Debt Administration**

Table 5 summarizes the debt outstanding:

Table 5  
Outstanding Debt, at Fiscal Year-end  
Governmental Activities

	2013	2012
2002 School Improvement Bonds	\$5,829,944	\$6,025,169
2006 School Improvement Bonds	19,325,000	19,325,000
Certificates of Participation	870,000	905,000
State Solvency Loan	1,529,000	2,204,000
Capital Leases	3,619,461	3,839,251
Total	\$31,173,405	\$32,298,420

For more information on debt, refer to Note 14 to the basic financial statements.

**MONROE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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](mailto:hcahall@monroelocalschools.com).



**MONROE LOCAL SCHOOL DISTRICT**

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,656,343
Inventory Held for Resale	9,263
Accounts Receivable	137,658
Intergovernmental Receivable	301,556
Prepaid Items	3,792
Property Taxes Receivable	13,483,164
Capital Assets:	
Land	2,475,849
Depreciable Capital Assets, Net	<u>36,940,358</u>
<i>Total Assets</i>	<u>59,007,983</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	62,295
Accrued Wages and Benefits Payable	1,269,874
Intergovernmental Payable	292,929
Accrued Interest Payable	94,589
Matured Compensated Absences Payable	30,000
Long-Term Liabilities:	
Due Within One Year	1,798,869
Due in More Than One Year	<u>31,489,002</u>
<i>Total Liabilities</i>	<u>35,037,558</u>
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	<u>13,246,137</u>
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	10,596,247
Restricted:	
Debt Service	4,717,459
Capital Outlay	682,010
Food Service	58,744
District Managed Activities	103,874
State and Federal Grants	297,598
Unrestricted (Deficit)	<u>(5,731,644)</u>
<i>Total Net Position</i>	<u><u>\$10,724,288</u></u>

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Total Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$9,304,873	\$1,119,554	\$223,692	(\$7,961,627)
Special	1,595,512	203,384	366,675	(1,025,453)
Vocational	6,231	0	14,761	8,530
Student Intervention Services	19,170	2,453	0	(16,717)
Support Services:				
Pupils	896,550	8,220	30,229	(858,101)
Instructional Staff	959,724	50,960	412,788	(495,976)
Board of Education	175,532	0	0	(175,532)
Administration	1,166,711	133	0	(1,166,578)
Fiscal	596,133	0	0	(596,133)
Business	34,943	0	0	(34,943)
Operation and Maintenance of Plant	1,392,323	18,703	0	(1,373,620)
Pupil Transportation	1,642,435	0	72,800	(1,569,635)
Central	294,694	0	9,541	(285,153)
Operation of Non-Instructional Services	876,971	508,097	312,946	(55,928)
Extracurricular Activities	556,948	256,816	20,218	(279,914)
Interest and Fiscal Charges	1,567,112	0	0	(1,567,112)
<i>Total Governmental Activities</i>	<u>\$21,085,862</u>	<u>\$2,168,320</u>	<u>\$1,463,650</u>	<u>(17,453,892)</u>
<b><u>General Revenues:</u></b>				
Property Taxes Levied for:				
General Purposes				10,465,541
Debt Service				948,853
Capital Improvement				565,703
Grants and Entitlements not				
Restricted to Specific Programs				6,713,662
Contributions not Restricted to Specific Programs				10,323
Interest				4,875
Revenue in Lieu of Taxes				1,223,376
Miscellaneous				71,912
<i>Total General Revenues</i>				<u>20,004,245</u>
<i>Change in Net Position</i>				2,550,353
<i>Net Position at Beginning of Year - Restated</i> <i>(See Note 3)</i>				<u>8,173,935</u>
<i>Net Position at End of Year</i>				<u>\$10,724,288</u>

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,053,427	\$2,626,014	\$976,902	\$5,656,343
Receivables:				
Property Taxes	11,835,536	1,067,979	579,649	13,483,164
Accounts	135,725	0	1,933	137,658
Intergovernmental	32,108	0	269,448	301,556
Advances to Other Funds	0	2,481,726	0	2,481,726
Prepaid Items	3,792	0	0	3,792
Inventory Held for Resale	0	0	9,263	9,263
<b>Total Assets</b>	<b>\$14,060,588</b>	<b>\$6,175,719</b>	<b>\$1,837,195</b>	<b>\$22,073,502</b>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$51,386	\$0	\$10,909	\$62,295
Accrued Wages and Benefits Payable	1,214,611	0	55,263	1,269,874
Intergovernmental Payable	268,651	0	24,278	292,929
Matured Compensated Absences Payable	30,000	0	0	30,000
Advances from Other Funds	2,481,726	0	0	2,481,726
<b>Total Liabilities</b>	<b>4,046,374</b>	<b>0</b>	<b>90,450</b>	<b>4,136,824</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Tax	11,681,407	995,870	568,860	13,246,137
Unavailable Revenues	57,774	21,714	224,062	303,550
<b>Total Deferred Inflows of Resources</b>	<b>11,739,181</b>	<b>1,017,584</b>	<b>792,922</b>	<b>13,549,687</b>
<b><u>Fund Balances:</u></b>				
Nonspendable	3,792	2,481,726	0	2,485,518
Restricted	0	2,676,409	953,823	3,630,232
Assigned	541,375	0	0	541,375
Unassigned (Deficit)	(2,270,134)	0	0	(2,270,134)
<b>Total Fund Balances (Deficit)</b>	<b>(1,724,967)</b>	<b>5,158,135</b>	<b>953,823</b>	<b>4,386,991</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$14,060,588</b>	<b>\$6,175,719</b>	<b>\$1,837,195</b>	<b>\$22,073,502</b>

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013

**Total Governmental Fund Balances** \$4,386,991

**Amounts reported for governmental activities in the statement of net position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	2,475,849	
Other capital assets	49,396,891	
Accumulated depreciation	(12,456,533)	
Total capital assets	39,416,207	39,416,207

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	80,421	
Intergovernmental	220,391	
Tuition and fees	2,738	
	303,550	303,550

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (94,589)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(23,250,228)	
State solvency loan	(1,529,000)	
Accretion on capital appreciation bonds	(1,904,716)	
Certificates of participation	(870,000)	
Premiums on debt issues	(1,448,072)	
Capital leases	(3,619,461)	
Compensated absences	(666,394)	
Total liabilities	(33,287,871)	(33,287,871)

**Net Position of Governmental Activities** \$10,724,288

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$11,065,411	\$1,500,453	\$626,307	\$13,192,171
Intergovernmental	6,641,412	389,453	942,065	7,972,930
Interest	4,875	0	0	4,875
Tuition and Fees	1,306,681	0	0	1,306,681
Extracurricular Activities	206,843	0	114,743	321,586
Rent	18,703	0	0	18,703
Customer Sales and Services	13,727	0	508,097	521,824
Contributions and Donations	9,453	0	31,991	41,444
Revenue in Lieu of Taxes	1,223,376	0	0	1,223,376
Miscellaneous	62,488	5,199	4,225	71,912
<b>Total Revenues</b>	<b>20,552,969</b>	<b>1,895,105</b>	<b>2,227,428</b>	<b>24,675,502</b>
<b><u>Expenditures:</u></b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,508,109	0	131,482	8,639,591
Special	1,585,565	0	4,456	1,590,021
Vocational	0	0	6,231	6,231
Student Intervention Services	19,170	0	0	19,170
<b>Support Services:</b>				
Pupils	873,992	0	21,440	895,432
Instructional Staff	634,080	0	315,865	949,945
Board of Education	175,532	0	0	175,532
Administration	1,216,581	0	0	1,216,581
Fiscal	558,694	27,574	11,943	598,211
Business	60,889	0	0	60,889
Operation and Maintenance of Plant	1,361,884	0	405	1,362,289
Pupil Transportation	1,605,102	0	37,333	1,642,435
Central	290,557	0	8,955	299,512
Operation of Non-Instructional Services	0	0	852,606	852,606
Extracurricular Activities	426,833	0	119,174	546,007
<b>Debt Service:</b>				
Principal Retirement	1,102,000	505,000	254,790	1,861,790
Interest and Fiscal Charges	10,352	1,158,958	177,350	1,346,660
<b>Total Expenditures</b>	<b>18,429,340</b>	<b>1,691,532</b>	<b>1,942,030</b>	<b>22,062,902</b>
<b>Excess of Revenues Over Expenditures</b>	<b>2,123,629</b>	<b>203,573</b>	<b>285,398</b>	<b>2,612,600</b>
<b><u>Other Financing Sources:</u></b>				
State Solvency Loan	427,000	0	0	427,000
<b>Net Change in Fund Balances</b>	<b>2,550,629</b>	<b>203,573</b>	<b>285,398</b>	<b>3,039,600</b>
<b>Fund Balances at Beginning of Year - Restated</b> (See Note 3)	<b>(4,275,596)</b>	<b>4,954,562</b>	<b>668,425</b>	<b>1,347,391</b>
<b>Fund Balances at End of Year</b>	<b>(\$1,724,967)</b>	<b>\$5,158,135</b>	<b>\$953,823</b>	<b>\$4,386,991</b>

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$3,039,600

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	24,073	
Depreciation expense	(707,706)	
Excess of depreciation expense over capital outlay		(683,633)

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

Delinquent property taxes	(1,212,074)	
Intergovernmental	173,261	
Tuition and Fees	(474)	
		(1,039,287)

Loan proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

State solvency loan		(427,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the statement of activities is the result of the following:

Decrease in accrued interest	1,786	
Accretion on capital appreciation bonds	(309,775)	
Amortization of premiums	87,537	
		(220,452)

Repayment of long-term debt are reported as an expenditure to governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

Bond payments	505,000	
Certificates of participation payments	35,000	
State solvency loan payment	1,102,000	
Capital lease payments	219,790	
Total long-term debt repayment		1,861,790

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable		19,335
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**Change in Net Position of Governmental Activities** \$2,550,353

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2013

	Budget Amounts		Actual	Variance With Final Budget Over/Under
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$9,451,288	\$11,202,092	\$11,123,134	(\$78,958)
Intergovernmental	6,390,389	6,430,754	6,619,184	188,430
Interest	502	500	4,875	4,375
Tuition and Fees	1,051,509	1,096,969	1,200,369	103,400
Extracurricular Activities	98,350	83,906	201,480	117,574
Rent	8,537	8,500	19,378	10,878
Customer Sales and Services	2,019	2,000	5,482	3,482
Contributions and Donations	5,022	5,000	9,453	4,453
Revenue in Lieu of Taxes	1,305,570	1,294,155	1,223,376	(70,779)
Miscellaneous	16,056	12,977	37,916	24,939
<b>Total Revenues</b>	<b>18,329,242</b>	<b>20,136,853</b>	<b>20,444,647</b>	<b>307,794</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	9,331,880	9,069,780	8,753,376	316,404
Special	1,768,151	1,698,320	1,589,948	108,372
Student Intervention Services	30,916	30,000	19,170	10,830
Support Services:				
Pupils	1,032,292	1,169,597	947,035	222,562
Instructional Staff	872,422	844,306	666,413	177,893
Board of Education	193,453	189,710	184,892	4,818
Administration	1,668,249	1,638,768	1,276,621	362,147
Fiscal	609,141	625,065	574,261	50,804
Business	125,840	105,101	88,270	16,831
Operation and Maintenance of Plant	1,545,849	1,643,297	1,523,159	120,138
Pupil Transportation	1,622,547	1,637,570	1,659,602	(22,032)
Central	351,310	341,876	387,603	(45,727)
Extracurricular Activities	496,190	480,836	436,188	44,648
Capital Outlay	182	6,000	5,229	771
Debt Service:				
Principal Retirement	1,102,000	1,802,000	1,802,000	0
Interest and Fiscal Charges	0	0	10,352	(10,352)
<b>Total Expenditures</b>	<b>20,750,422</b>	<b>21,282,226</b>	<b>19,924,119</b>	<b>1,358,107</b>
Excess of Revenues Over (Under) Expenditures	(2,421,180)	(1,145,373)	520,528	1,665,901
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Notes	0	700,000	700,000	0
Proceeds from State Solvency Loan	0	427,000	427,000	0
Refund of Prior Year Expenditures	0	9,295	34,595	25,300
Refund of Prior Year Receipts	0	0	(13,603)	(13,603)
Advances Out	(620,430)	(620,430)	(620,432)	(2)
Transfers In	0	106,386	0	(106,386)
Transfers Out	0	(30)	0	30
<b>Total Other Financing Sources (Uses)</b>	<b>(620,430)</b>	<b>622,221</b>	<b>527,560</b>	<b>(94,661)</b>
<b>Net Change in Fund Balance</b>	<b>(3,041,610)</b>	<b>(523,152)</b>	<b>1,048,088</b>	<b>1,571,240</b>
<b>Fund Balance at Beginning of Year</b>	<b>347,251</b>	<b>347,251</b>	<b>347,251</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>195,241</b>	<b>195,241</b>	<b>195,241</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>(\$2,499,118)</b>	<b>\$19,340</b>	<b>\$1,590,580</b>	<b>\$1,571,240</b>

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Private Purpose Trust Fund	Agency Funds
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$93,065	<u>\$77,364</u>
<b><u>Liabilities:</u></b>		
Due to Students	<u>0</u>	<u>\$77,364</u>
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	<u>\$93,065</u>	

See accompanying notes to the basic financial statements



**MONROE LOCAL SCHOOL DISTRICT**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
<b><i>Additions:</i></b>	
Gifts and Contributions	\$4,329
Interest	2,038
Miscellaneous	3,959
Total Additions	10,326
<b><i>Deductions:</i></b>	
Payments in Accordance with Trust Agreement	7,895
<i>Change in Net Position</i>	2,431
<i>Net Position at Beginning of Year</i>	90,634
<i>Net Position at End of Year</i>	\$93,065

See accompanying notes to the basic financial statements

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**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are presented in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwest Ohio Computer Association  
Butler Technology and Career Development Schools

Insurance Purchasing Pools:

Ohio School Boards Association Workers' Compensation Group Rating Plan  
Butler Health Plan

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

The financial statements of the Monroe Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 Position 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 Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

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

*Fund Financial Statements:*

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

**Fund Accounting**

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

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

*Governmental Funds*

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

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

*Fiduciary Funds*

Fiduciary fund reporting focuses on net position and changes in net position. 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 has two fiduciary funds: a private purpose trust fund, used to account for college scholarship programs for students, and an agency fund, used to account for student-managed activity programs.

**Measurement Focus**

*Government-wide Financial Statements*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

*Fund Financial Statements*

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

The private purpose trust fund is reported using the flow of economic resources measurement focus.

**Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, donations, and revenue in lieu of taxes. On an accrual basis, revenue from property taxes and payment in lieu of taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

*Deferred Inflows of Resources*

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund Balance Sheet and represents receivables that will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and other sources. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

*Expenses/Expenditures*

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

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

**Cash and Cash Equivalents**

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

During fiscal year 2013, the School District's investments were limited to a mutual bond fund and 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, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2013 was \$4,875, which included \$3,354 assigned from other School District funds.

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

**Interfund Balances**

Long-term interfund loan receivables, reported as "Advances to Other Funds" or "Advances from Other Funds," are classified as nonspendable fund balance, which indicates that they are not in spendable form even though it is a component of net current assets. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental, which are presented as internal balances.

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

**Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	5 years
Vehicles	5 years

**Compensated Absences**

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



**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on sick leave accumulated by June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable that they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in union contracts.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

**Accrued Liabilities and Long Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, certificates of participation, State solvency loan and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**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.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

*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. These amounts are assigned by the Board of Education. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes food service and federal and State grants restricted to expenditures for specified purposes.

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

**Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the Certificate of Estimated Resources, 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 appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in revenues are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted.

**MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years.

**Estimates**

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET POSITION**

**Change in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

*GASB Statement No. 60* improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 61* modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET POSITION (Continued)**

*GASB Statement No. 66* resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

**Restatement of Fund Balance/Net Position**

For fiscal year 2013, the School District prepared the financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. In prior fiscal years, the School District prepared the financial statements using the modified cash basis of accounting. This change had the following effect on fund balances and net position:

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Funds
Fund Balance				
at June 30, 2012	\$794,037	\$1,476,944	\$704,552	\$2,975,533
Assets	11,105,637	6,797,415	797,768	18,700,820
Liabilities	(16,175,270)	(3,319,797)	(833,895)	(20,328,962)
Adjusted Fund Balance (Deficit)				
at June 30, 2012	(\$4,275,596)	\$4,954,562	\$668,425	\$1,347,391
Governmental Activities Net Position June 30, 2012				\$2,975,533
Eliminate Government-Wide Financial Statement Adjustments:				
Modified Accrual Assets				18,700,820
Modified Accrual Liabilities				(20,328,962)
Accrual Adjustments Unavailable Revenue				1,342,837
Capital Assets				40,099,840
Accrued Interest Payable				(96,375)
Compensated Absences				(685,729)
Long-Term Liabilities				(33,834,029)
Adjusted Governmental Activities Net Position, June 30, 2012				\$8,173,935

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

	Net Change in Fund Balance
GAAP Basis	\$2,550,629
Adjustments:	
Revenue Accruals	626,273
Expenditure Accruals	(1,045,535)
Encumbrances	(462,847)
Advances	(620,432)
Budget Basis	\$1,048,088

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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.

**Investment**

As of June 30, 2013, the School District had investments in STAROhio, in the amount of \$1,371,109. The average maturity of STAROhio is 57.5 days.

*Interest Rate Risk*

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from 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 two ratings by nationally recognized statistical rating organizations. The School District's investments in STAROhio was rated AAAM by Standard and Poor's.

**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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 6 - PROPERTY TAXES (Continued)**

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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, 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 advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013 are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2013 was \$156,606 and is recognized as revenue: \$99,093 in the General Fund, \$50,395 in the Bond Retirement Debt Service Fund and \$7,118 in the Other Governmental Funds. The amount available as an advance at June 30, 2012 was \$313,049 and is recognized as revenue: \$156,816 in the General Fund, \$140,483 in the Bond Retirement Debt Service Fund, and \$15,750 in the Other Governmental Funds.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

**MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 6 - PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$191,736,510	57.38%	\$193,826,360	57.35%
Public Utility Personal	83,812,970	25.08%	83,691,790	24.76%
Tangible Personal Property	58,584,010	17.54%	60,441,240	17.89%
Total Assessed Value	<u>\$334,133,490</u>	<u>100.00%</u>	<u>\$337,959,390</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$41.54		\$45.50	

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2013 consisted of property taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Race to the Top	\$16,439
IDEA-B	126,328
Title III - LEP	18,406
Title I	85,990
Early Childhood Special Education	2,573
Title II-A	19,712
Bureau of Worker's Compensation	31,569
Miscellaneous	539
Total Intergovernmental Receivable	<u>\$301,556</u>



**MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	Balance at 6/30/12	Additions	Deductions	Balance at 6/30/13
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$2,475,849	\$0	\$0	\$2,475,849
Capital Assets Being Depreciated:				
Land Improvements	25,000	0	0	25,000
Buildings and Improvements	44,808,321	0	0	44,808,321
Furniture, Fixtures, and Equipment	4,296,126	24,073	(17,212)	4,302,987
Vehicles	260,583	0	0	260,583
Total Capital Assets Being Depreciated	49,390,030	24,073	(17,212)	49,396,891
Less Accumulated Depreciation:				
Land Improvements	(2,042)	(500)	0	(2,542)
Buildings and Improvements	(8,206,627)	(601,423)	0	(8,808,050)
Furniture, Fixtures, and Equipment	(3,324,657)	(103,335)	17,212	(3,410,780)
Vehicles	(232,713)	(2,448)	0	(235,161)
Total Accumulated Depreciation	(11,766,039)	(707,706) *	17,212	(12,456,533)
Total Capital Assets Being Depreciated, Net	37,623,991	(683,633)	0	36,940,358
Governmental Activities Capital Assets, Net	\$40,099,840	(\$683,633)	\$0	\$39,416,207

**MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 8 – CAPITAL ASSETS (Continued)**

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$589,887
Special	1,696
Support Services:	
Pupils	1,749
Instructional Staff	8,289
Administration	780
Fiscal	2,653
Operation and Maintenance of Plant	54,609
Central	19,448
Operation of Non-Instructional Services	16,978
Extracurricular Activities	11,617
Total Depreciation Expense	<u>\$707,706</u>

**NOTE 9 - RISK MANAGEMENT**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year, 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 this coverage in any of the past three fiscal years. There was no change in insurance coverage from last fiscal year.

**Workers' Compensation**

For fiscal year 2013, the School District participated in the Ohio School Boards Association (OSBA) Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). 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 2013, the School District participated in the Butler Health Plan (BHP), a group insurance purchasing pool (See Note 17), in order to provide medical and dental benefits to associates, their dependents, and designated beneficiaries.

**MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 10 - 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](http://www.ohsers.org) under Employers/Audit Resources.

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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2013, 2012, and 2011 were \$179,838, \$237,350, and \$265,000, 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](http://www.strsoh.org).

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 10 - 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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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, 2013, 2012, and 2011 were \$975,079, \$1,196,585, and \$1,303,000; respectively. For fiscal year 2013, 82.87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

For fiscal year 2013, contributions made to STRS Ohio for the DC Plan were \$43,196 made by the School District and \$30,854 made by plan members. In addition, contributions made to STRS Ohio for the defined contribution portion of the Combined Plan for fiscal year 2013 were \$25,245 made by member contributions.

**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, 2013, two members of the Board of Education have elected Social Security.

**NOTE 11 - 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](http://www.ohsers.org) under Employers/Audit Resources.

**MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$43,244 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, 2013, 2012, and 2011 were \$56,335, \$48,925, and \$27,000, 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 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$10,198, \$14,017, and \$14,000, respectively. The full amount has been contributed for all three fiscal years.

**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](http://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 2013, 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, 2013, 2012, and 2011 were \$75,006, \$92,045 and \$93,000, respectively. For fiscal year 2013, 82.87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 12 – EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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 25 percent of the employee's accumulated sick leave up to the 220 days.

**Insurance**

The School District provides medical and dental insurance to all employees through the Butler Health Plan. Employees are provided with life insurance through Standard Insurance Company, and vision insurance through Vision Service Plan (VSP). See Note 17 for more information regarding the Butler Health Plan.

**Deferred Compensation**

School District employees may participate in the deferred compensation plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency. ING is the deferred compensation plan administrator.

**NOTE 13 –LEASES - LESSEE DISCLOSURE**

During a prior fiscal years, the School District entered into lease purchase agreements for a new roof on the administrative building and athletic facilities. The School District is leasing the roof project from Fifth Third Bank. Fifth Third Bank will retain title to the project during the lease term. The School District was reimbursed costs up to \$365,000 for expenditures made on work completed. The school District will make monthly lease payments to the bank. The athletics facilities lease-purchase agreement is with the Ohio Association of School Business Officials (OASBO). OASBO has assigned U. S. Bank as the trustee. U.S. Bank deposited monies into a trustee account and reimbursed the School District for expenditures for the projects. The School District makes semi-annual lease payments to U. S. Bank.

Total principal payments in fiscal year 2013 totaled \$219,790.

The assets acquired through the capital leases as of June 30, 2013 are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Buildings and Improvements	\$3,677,000	\$271,054	\$3,405,946

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013:

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 13 –LEASES - LESSEE DISCLOSURE (Continued)**

Fiscal Year Ending June 30,	Roof	Fieldhouse	Stadium	Total Payments
2014	\$13,533	\$78,000	\$186,333	\$277,866
2015	0	82,000	186,000	268,000
2016	0	86,000	186,527	272,527
2017	0	90,000	186,869	276,869
2018	0	95,000	187,027	282,027
2019-2023	0	546,000	937,192	1,483,192
2024-2028	0	126,000	944,655	1,070,655
2029-2033	0	0	956,105	956,105
2034	0	0	193,380	193,380
Total	<u>\$13,533</u>	<u>\$1,103,000</u>	<u>\$3,964,088</u>	<u>5,080,621</u>
			Less: Amount Representing Interest	(1,461,160)
			Present Value of Net Minimum Lease Payments	<u>\$3,619,461</u>

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>General Obligation Bonds:</u>					
2002 School Improvement Obligation Bonds					
Serial Bonds	\$3,910,000	\$0	\$505,000	\$3,405,000	\$0
Capital Appreciation Bonds	520,228	0	0	520,228	0
Accretion on Capital Appreciation Bonds	1,594,941	309,775	0	1,904,716	0
Premiums on Bonds	384,500	0	21,761	362,739	0
2007 School Improvement Refunding Obligation Bonds					
Serial Bonds	9,100,000	0	0	9,100,000	475,000
Term Bonds	10,225,000	0	0	10,225,000	0
Premiums on Bonds	1,145,742	0	65,471	1,080,271	0
Total General Obligation Bonds	<u>26,880,411</u>	<u>309,775</u>	<u>592,232</u>	<u>26,597,954</u>	<u>475,000</u>
<u>Other Long-Term Obligations:</u>					
2010 Certificates of Participation					
Serial Bonds	275,000	0	35,000	240,000	35,000
Term Bonds	630,000	0	0	630,000	0
Premiums on Bonds	5,367	0	305	5,062	0
State Solvency Loan	\$2,204,000	\$427,000	\$1,102,000	\$1,529,000	\$1,102,000

*(continued)*

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Other Long-Term Obligations:</u>					
Capital Leases	\$3,839,251	\$0	\$219,790	\$3,619,461	\$162,461
Compensated Absences	685,729	19,685	39,020	666,394	24,408
Total Long-Term Obligations	<u>7,639,347</u>	<u>446,685</u>	<u>1,396,115</u>	<u>6,689,917</u>	<u>1,323,869</u>
Total Governmental Activities	<u>\$34,519,758</u>	<u>\$756,460</u>	<u>\$1,988,347</u>	<u>\$33,287,871</u>	<u>\$1,798,869</u>

*2002 School Improvement Bonds* - 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 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.

The capital appreciation bonds were issued at \$520,228 and are not subject to prior redemption, the bonds will mature December 1, 2014 through 2017 in the amount of \$2,995,000. Accretion on the capital appreciation bonds for the year was \$309,775.

*2006 School Improvement Refunding Bonds* - 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.

*Certificates of Participation* - On February 2, 2010, the School District issued \$980,000 Certificates of Participation to finance land and existing improvements to the facility. The COPs issuance included a premium of \$6,105, which will be amortized over the life of the COPs. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the PS&W Holding Company and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of 20 years which includes the right to renew for 19 successive one-year terms through July 1, 2029 subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, annually. The base rent includes an interest component that begins at 1.50 percent to 5.25 percent. The School District has the option to purchase the renovations in whole or in part, with a 90 day written notice to the Trustee and lessor at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption. The certificates of participations will be paid from the permanent improvement fund with property tax revenues.

*State Solvency Loan* - During fiscal year 2011, the School District received State Solvency Loans in the amount of \$2,204,000 and an additional \$427,000 during fiscal year 2013, from the State. The State Solvency Loans Fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified 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 began in fiscal year 2013.



**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Capital leases will be paid through the Permanent Improvement Fund. Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$30,416,345 with an unvoted debt margin of \$337,959 at June 30, 2013.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest
2014	\$0	\$195,788	\$125,355	\$469,645
2015	0	195,788	139,642	610,358
2016	0	195,788	131,632	668,368
2017	0	195,788	123,599	726,401
2018	0	195,788	0	0
2019-2023	3,405,000	312,082	0	0
2024-2028	0	0	0	0
2029-2033	0	0	0	0
Total	<u>\$3,405,000</u>	<u>\$1,291,022</u>	<u>\$520,228</u>	<u>\$2,474,772</u>

Fiscal Year Ending June 30,	Refunding Bonds Principal	Refunding Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest
2014	\$475,000	\$943,406	\$35,000	\$39,155
2015	0	934,500	40,000	38,324
2016	0	934,500	40,000	37,224
2017	0	934,500	40,000	35,944
2018	0	934,500	40,000	34,494
2019-2023	2,965,000	4,514,513	235,000	144,912
2024-2028	10,345,000	2,586,238	295,000	84,806
2029-2033	5,540,000	252,000	145,000	11,549
Total	<u>\$19,325,000</u>	<u>\$12,034,157</u>	<u>\$870,000</u>	<u>\$426,408</u>

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 15 – SHORT-TERM OBLIGATIONS**

The changes in the School District’s short-term obligations during fiscal year 2013 were as follows:

Short-Term Obligations	Balance 6/30/2012	Additions	Deletion	Balance 6/30/2013
2013 Tax Anticipation Notes	\$0	\$700,000	\$700,000	\$0

In December 2012, the School District issued \$700,000 in tax anticipation notes bearing a rate of 2.25 percent; these notes matured on June 26, 2013.

**NOTE 16 - INTERFUND ACTIVITY**

At June 30, 2013, the Bond Retirement Fund had an unpaid interfund cash advance in the amount of \$2,481,726 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 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**Jointly Governed Organizations**

*Southwest Ohio Computer Association*

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), a computer consortium. SWOCA is a jointly governed organization among a seven county consortium of 43 Ohio school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The Board exercises total control over the operations of SWOCA including budgeting, appropriating, contracting and designating management. The Board consists of one representative from each of the participating 43 school districts. The School District paid SWOCA \$110,191 for services provided during the fiscal year. The financial statements for SWOCA are available at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*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 \$0 to Butler Tech during fiscal year 2013 for student online courses. To obtain financial information, write to Butler Tech at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**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 School District purchases medical and dental insurance through BHP. 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 18 - 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.

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

	Capital Improvements
Set-aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	412,094
Current Fiscal Year Offsets	(318,468)
Qualifying Disbursements	(93,626)
Totals	\$0
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2013	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 19 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year is \$462,847 in the General Fund.

**NOTE 20 – 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 as follows:

Fund Balances	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Advances to/from Other Funds	\$0	\$2,481,726	\$0	\$2,481,726
Prepays	3,792	0	0	3,792
<b><i>Total Nonspendable</i></b>	<b>3,792</b>	<b>2,481,726</b>	<b>0</b>	<b>2,485,518</b>
<b><i>Restricted for</i></b>				
Debt Service Payments	0	2,676,409	0	2,676,409
Permanent Improvements	0	0	678,339	678,339
Food Service	0	0	91,606	91,606
Student Management Activities	0	0	103,874	103,874
State and Federal Grants	0	0	80,004	80,004
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,676,409</b>	<b>953,823</b>	<b>3,630,232</b>
<b><i>Assigned to</i></b>				
Community Service Activities	118,982	0	0	118,982
Purchases on Order	422,393	0	0	422,393
<b><i>Total Assigned</i></b>	<b>541,375</b>	<b>0</b>	<b>0</b>	<b>541,375</b>
<b><i>Unassigned (Deficit)</i></b>				
<b><i>Total Fund Balances (Deficit)</i></b>	<b>(2,270,134)</b>	<b>0</b>	<b>0</b>	<b>(2,270,134)</b>
	<b>(\$1,724,967)</b>	<b>\$5,158,135</b>	<b>\$953,823</b>	<b>\$4,386,991</b>

**NOTE 21 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 21 – CONTINGENCIES (Continued)**

**Litigation**

The School District is party to legal proceedings. However, no liability has been accrued since the ultimate disposition of these claims and legal proceedings have yet to be determined, and the amount of liability, if any, is not measurable.

**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, and in fiscal year 2013, the School District received an additional \$427,000. 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**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2013	10.555	0	\$34,500	0	\$34,500
Cash Assistance:						
National School Breakfast Program	2013	10.553	\$48,431	0	\$48,431	0
National School Lunch Program	2013	10.555	264,515	0	264,515	0
Total Cash Assistance			312,946	0	312,946	0
Total Child Nutrition Cluster			312,946	34,500	312,946	34,500
Total U.S. Department of Agriculture			312,946	34,500	312,946	34,500
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Butler Technology &amp; Career Development Schools:</i>						
Career and Technical Education	2013	84.028	7,134	0	6,231	0
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	2013	84.027	259,988	0	256,542	0
Special Education Grants to States	2012	84.027	4,000	0	24,347	0
Total Special Education Grants to States			263,988	0	280,889	0
Special Education - Preschool Grants	2013	84.173	2,409	0	2,619	0
Total Special Education Cluster			266,397	0	283,508	0
Title I Grants to Local Educational Agencies	2013	84.010	149,287	0	127,823	0
Title I Grants to Local Educational Agencies	2012	84.010	0	0	6,065	0
Total Title I Grants to Local Educational Agencies			149,287	0	133,888	0
Title II-A Improving Teacher Quality State Grants	2013	84.367	31,489	0	31,620	0
Title II-A Improving Teacher Quality State Grants	2012	84.367	5,144	0	2,021	0
Total Title II-A Improving Teacher Quality State Grants			36,633	0	33,641	0
Title II-D Education Technology State Grants	2012	84.318	0	0	83	0
Title III English Language Acquisition Grant	2013	84.365	10,083	0	7,228	0
Title III English Language Acquisition Grant	2012	84.365	1,653	0	0	0
Total Title III English Language Acquisition Grant			11,736	0	7,228	0
Race to the Top	2013	84.395	25,520	0	26,401	0
Race to the Top Mini Grant	2013	84.395	2,742	0	2,742	0
Race to the Top	2012	84.395	10,947	0	4,704	0
Race to the Top Mini Grant	2012	84.395	4,730	0	4,730	0
Race to the Top Mentoring Grant	2012	84.395	3,500	0	3,500	0
Total Race to the Top			47,439	0	42,077	0
Total U.S. Department of Education			518,626	0	506,656	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$831,572</b>	<b>\$34,500</b>	<b>\$819,602</b>	<b>\$34,500</b>

The accompanying notes are an integral part of this schedule.

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2014, wherein we noted that 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, and that for the year ended June 30, 2013, the District prepared the financial statements in conformity with generally accepted accounting principles as applied to governmental units. In prior fiscal years, the District prepared the financial statements using the modified cash basis of accounting.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 4, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited Monroe Local School District's (the District) compliance with the applicable 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, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Monroe Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

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

*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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 4, 2014

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

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

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

None

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

None

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**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to prepare annual financial report in accordance with generally accepted accounting principles	Yes	
2012-02	Failure to complete accurate monthly bank reconciliations	Yes	
2012-03	2 C.F.R. Part 225, Appendix A, Section C(1)(j), federal questioned costs for unallowable expenditures	Yes	

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 29, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 4, 2014

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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  
MARCH 20, 2014**