



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 the Monroe Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2017, 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 such 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 the Monroe Local School District, Butler County, Ohio, as of June 30, 2017, 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.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018, 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 25, 2018

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**Monroe Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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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, 2017. 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 2017 are as follows:

During fiscal year 2017, the School District remained strong financially, ending the year with a cash and cash equivalents balance of \$21,769,291, on the Statement of Net Position, exceeding seven months of expenditures. In addition, revenue exceeded expenditures by \$1,780,532.

In September and March of 2016, the School District refunded a total of \$10,185,000 of School Improvement Bonds which will save taxpayers over \$2,000,000.

Since fiscal year 2013, the School District has made payments to the Bond Retirement Fund to return an initial advance from the General Fund of \$3,102,158. On June 30, 2017, the final payment to the Bond Retirement Fund was made. With this return of the advance, the School District has been able to reduce the mills necessary to support payment of the outstanding debt over the last five years. Depending on the growth in property values, it may be necessary to steadily increase the mills for the Bond Retirement Fund in order to support the annual debt payments dictated by the amortization schedules. In fiscal year 2022, some of the debt payments will increase significantly and, thereby, may require a higher tax rate. In preparation, the School District has started to steadily increase mills to protect the taxpayers from a dramatic increase all at once. This increase may be mitigated by some tax abatement agreements ending in fiscal year 2023 and beyond.

In November of 2016, the community passed a 7.2 Mill Substitute Continuing Levy. This levy replaced a Five Year 8.2 Mill Emergency Levy which was in effect through fiscal year 2016. This Levy will be on property in 2017. It succeeded with a 71 percent passage rate.

In fiscal year 2017, the School Board reinstated the position of Director of Personnel and Operations, who has helped promote policies and practices to strengthen financial controls, and protect the School District from liability in the area of human resources. Salaries and benefits represent over 80 percent of the School District's budget, and this position has proven effective in managing costs in these areas.

The School District continues to experience growth in enrollment. Due to this growth, several spaces throughout the buildings have been repurposed to accommodate instruction. There are also teachers who travel from room to room with a cart to teach their students.

**Monroe Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
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The growth in enrollment, including the addition of many students with special needs has necessitated employing more teachers and teacher's aides. Because of the School Board's hiring policies, many of the new teachers are on a lower step on the salary schedule and are eligible for step increases. They also are eligible for salary increases when they obtain advanced degrees. While there are teachers on higher steps, most are not eligible to retire in the near future.

### **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 2017?" The statement of net position and the statement of activities, which appear 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, deferred outflows of resources, 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.

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
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## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School District's major funds begins on page nine. 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 two agency funds 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.

### **The School District as a Whole**

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

**Monroe Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2016:

(Table 1)			
Net Position			
	2017	2016	Change
<b>Assets:</b>			
Current and Other Assets	\$41,347,400	\$37,893,708	\$3,453,692
Capital Assets, Net	37,284,724	38,009,099	(724,375)
Total Assets	78,632,124	75,902,807	2,729,317
<b>Deferred Outflows of Resources:</b>			
Pension	8,499,268	3,036,602	5,462,666
<b>Liabilities:</b>			
Current Other Liabilities	2,205,001	2,663,338	(458,337)
Long-Term Liabilities:			
Due Within One Year	1,207,125	1,065,192	141,933
Due in More Than One Year:			
Net Pension Liability	34,680,010	26,164,741	8,515,269
Other Amounts	27,848,070	29,394,811	(1,546,741)
Total Liabilities	65,940,206	59,288,082	6,652,124
<b>Deferred Inflows of Resources:</b>			
Deferred Charge on Refunding	244,029	0	244,029
Property Taxes	15,391,350	13,964,783	1,426,567
Revenue in Lieu of Taxes	3,096,521	3,261,295	(164,774)
Pension	120,108	1,866,603	(1,746,495)
Total Deferred Inflows of Resources	18,852,008	19,092,681	(240,673)
<b>Net Position:</b>			
Net Investment in Capital Assets	10,374,480	10,723,010	(348,530)
Restricted	4,674,265	4,172,441	501,824
Unrestricted	(12,709,567)	(14,336,805)	1,627,238
Total Net Position	\$2,339,178	\$558,646	\$1,780,532

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Management's Discussion and Analysis  
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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Total assets of governmental activities increased \$2,729,317. Current and other assets increased \$3,453,692. The largest increase was in Cash and Cash Equivalents, which was mainly due to revenues exceeding expenditures. Capital Assets decreased \$724,375, due to current year depreciation and deletions exceeding current year additions.

Total liabilities increased \$6,652,124 due to a large increase in the net pension liability.

Unrestricted net position increased \$1,627,238, due to revenues outpacing expenditures.

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

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.

(Table 2)  
Change in Net Position

	2017	2016	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services and Sales	\$1,959,389	\$1,902,516	\$56,873
Operating Grants, Contributions and Interest	2,217,309	2,218,208	(899)
Capital Grants and Contributions	20,000	20,000	0
<b>Total Program Revenues</b>	<b>\$4,196,698</b>	<b>\$4,140,724</b>	<b>\$55,974</b>

(continued)

**Monroe Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
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(Table 2)  
Change in Net Position  
(Continued)

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Revenues:</b>			
General Revenues:			
Property Taxes	\$13,266,289	\$13,675,864	(\$409,575)
Grants and Entitlements not Restricted to Specific Programs	8,780,406	7,999,798	780,608
Contributions not Restricted to Specific Programs	17,165	11,403	5,762
Interest	138,715	97,781	40,934
Revenue in Lieu of Taxes	3,222,490	3,417,052	(194,562)
Miscellaneous	111,708	50,799	60,909
Total General Revenues	<u>25,536,773</u>	<u>25,252,697</u>	<u>284,076</u>
Total Revenues	<u>29,733,471</u>	<u>29,393,421</u>	<u>340,050</u>
<b>Program Expenses:</b>			
Instruction:			
Regular	12,372,761	11,292,299	1,080,462
Special	3,346,836	2,624,179	722,657
Student Intervention Services	28,950	34,220	(5,270)
Support Services:			0
Pupils	1,504,494	1,319,414	185,080
Instructional Staff	1,240,370	741,121	499,249
Board of Education	85,825	75,201	10,624
Administration	1,892,487	1,657,845	234,642
Fiscal	656,324	604,254	52,070
Business	136,633	71,738	64,895
Operation and Maintenance of Plant	2,088,583	2,493,493	(404,910)
Pupil Transportation	1,597,964	1,486,673	111,291
Central	28,676	187,545	(158,869)
Operation of Non-Instructional Services	951,374	900,476	50,898
Extracurricular Activities	887,599	665,508	222,091
Interest and Fiscal Charges	1,134,063	1,331,159	(197,096)
Total Expenses	<u>27,952,939</u>	<u>25,485,125</u>	<u>2,467,814</u>
Increase in Net Position	<u>1,780,532</u>	<u>3,908,296</u>	<u>(2,127,764)</u>
Net Position at Beginning of Year	<u>558,646</u>	<u>(3,349,650)</u>	<u>3,908,296</u>
Net Position at End of Year	<u>\$2,339,178</u>	<u>\$558,646</u>	<u>\$1,780,532</u>

**Monroe Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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**Governmental Activities**

The School District's governmental activities revenues, exceeded expenses in fiscal year 2017, by \$1,780,532. Grants and entitlements not restricted to specific programs increased due to an increase in student enrollment. Grants and entitlements not restricted to specific programs and property taxes made up 86.3 percent of general revenues for governmental activities of the Monroe Local School District for fiscal year 2017.

Expenses increased by \$2,467,814 as a result of increases in staffing as well an increase in the base salary rate.

**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 \$29,785,419 and expenditures of \$27,267,844. The two major funds accounted for 91.4 percent and 90.7 percent of revenues and expenses, respectively.

The net change in fund balance for the fiscal year in the General Fund was an increase of \$2,918,429. This was primarily due to the School District closely monitoring expenditures, which resulted in expenditures being less than revenues as well increased State foundation due to an increase in enrollment.

The Bond Retirement Fund saw a decrease of \$263,211. This is mainly due to principal and interest payments exceeding revenue.

**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 2017, 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 \$699,499 above the final budgeted amount in the General Fund.

For the General Fund, original budget basis revenues were \$25,160,443, with final budget estimates of \$25,847,958. The difference was primarily due to expecting more State Foundation revenue due to an increase in enrollment. Actual revenues were \$7,303 below final budget estimates.

Original budget basis expenditures were \$24,973,219, while final budgeted expenditures were \$24,173,570. Actual expenditures were \$699,149 below final budgeted expenditures. The School District closely monitored expenditures during the fiscal year.



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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
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**Capital Assets**

Table 3 shows fiscal year 2017 balances compared to fiscal year 2016.

Table 3  
Capital Assets (Net of Depreciation) at June 30,

	2017	2016
Land	\$2,475,849	\$2,475,849
Land Improvements	197,033	202,761
Buildings and Improvements	33,651,029	34,219,093
Furniture and Equipment	928,758	1,076,937
Vehicles	32,055	34,459
Totals	\$37,284,724	\$38,009,099

Overall capital assets decreased \$724,375 from fiscal year 2016, as depreciation and deletions exceeded additions. For more information on capital assets, refer to Note 10 of the basic financial statements.

**Debt Administration**

Table 4 summarizes the debt outstanding:

Table 4  
Outstanding Debt, at Fiscal Year-end

	2017	2016
2002 School Improvement Bonds	\$4,255,000	\$5,055,000
2006 School Improvement Bonds	8,625,000	18,850,000
2016 Refunding Bonds	8,775,000	0
2017 Refunding Bonds	1,310,000	0
Certificates of Participation	715,000	755,000
Energy Conservation Notes	695,000	725,000
Capital Leases	2,965,000	3,137,000
Total	\$27,340,000	\$28,522,000

For more information on debt, refer to Note 16 to the basic financial statements.

**Monroe Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

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**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, 2017

	Governmental Activities
<b><u>Assets:</u></b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$21,769,291
Inventory Held for Resale	12,743
Materials and Supplies Inventory	5,878
Accrued Interest Receivable	17,204
Accounts Receivable	108,102
Intergovernmental Receivable	258,098
Prepaid Items	44,012
Property Taxes Receivable	16,035,551
Revenue in Lieu of Taxes Receivable	3,096,521
Capital Assets:	
Land	2,475,849
Depreciable Capital Assets, Net	34,808,875
<i>Total Assets</i>	<u>78,632,124</u>
<b><u>Deferred Outflows of Resources:</u></b>	
Pension	8,499,268
<b><u>Liabilities:</u></b>	
Accounts Payable	38,843
Accrued Wages and Benefits Payable	1,872,050
Intergovernmental Payable	214,977
Accrued Interest Payable	79,131
Long-Term Liabilities:	
Due Within One Year	1,207,125
Due in More Than One Year:	
Net Pension Liability (See Note 12)	34,680,010
Other Amounts	27,848,070
<i>Total Liabilities</i>	<u>65,940,206</u>
<b><u>Deferred Inflows of Resources:</u></b>	
Deferred Charge on Refunding	244,029
Property Taxes	15,391,350
Revenue in Lieu of Taxes	3,096,521
Pension	120,108
<i>Total Deferred Inflows of Resources</i>	<u>18,852,008</u>
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	10,374,480
Restricted:	
Debt Service	2,906,418
Capital Outlay	1,388,027
Food Service	108,426
Student Managed Activities	115,211
State and Federal Grants	156,183
Unrestricted (Deficit)	(12,709,567)
<i>Total Net Position</i>	<u>\$2,339,178</u>

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating		Revenue and
			Contributions and Interest	Grants, and Contributions	Changes in Net Position
					Total Governmental Activities
<b><u>Governmental Activities:</u></b>					
Instruction:					
Regular	\$12,372,761	\$879,271	\$232,317	\$0	(\$11,261,173)
Special	3,346,836	205,189	1,482,359	0	(1,659,288)
Vocational	0	0	6,158	0	6,158
Student Intervention Services	28,950	2,234	0	0	(26,716)
Support Services:					
Pupils	1,504,494	14,176	2,370	0	(1,487,948)
Instructional Staff	1,240,370	34,437	96,933	0	(1,109,000)
Board of Education	85,825	0	0	0	(85,825)
Administration	1,892,487	0	0	0	(1,892,487)
Fiscal	656,324	0	0	0	(656,324)
Business	136,633	0	0	0	(136,633)
Operation and Maintenance of Plant	2,088,583	9,557	0	0	(2,079,026)
Pupil Transportation	1,597,964	0	10,835	0	(1,587,129)
Central	28,676	0	0	0	(28,676)
Operation of Non-Instructional Services	951,374	548,516	379,436	0	(23,422)
Extracurricular Activities	887,599	266,009	6,901	20,000	(594,689)
Interest and Fiscal Charges	1,134,063	0	0	0	(1,134,063)
<b>Total Governmental Activities</b>	<b>\$27,952,939</b>	<b>\$1,959,389</b>	<b>\$2,217,309</b>	<b>\$20,000</b>	<b>(23,756,241)</b>
<b><u>General Revenues:</u></b>					
Property Taxes Levied for:					
					11,647,311
					1,054,772
					564,206
Grants and Entitlements not					
					8,780,406
					17,165
					138,715
					3,222,490
					111,708
<b>Total General Revenues</b>					<b>25,536,773</b>
<b>Change in Net Position</b>					<b>1,780,532</b>
<b>Net Position at Beginning of Year</b>					<b>558,646</b>
<b>Net Position at End of Year</b>					<b>\$2,339,178</b>

**MONROE LOCAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2017

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalen	\$17,011,388	\$3,052,760	\$1,705,143	\$21,769,291
<b>Receivables:</b>				
Property Taxes	13,554,895	1,809,339	671,317	16,035,551
Revenue in Lieu of Taxes	3,096,521	0	0	3,096,521
Accounts	108,009	0	93	108,102
Interfund	8,445	0	0	8,445
Intergovernmental	50,398	0	207,700	258,098
Accrued Interest	17,204	0	0	17,204
Prepaid Items	44,012	0	0	44,012
Inventory Held for Resale	0	0	12,743	12,743
Materials and Supplies Inventory	0	0	5,878	5,878
<b>Total Assets</b>	<b>\$33,890,872</b>	<b>\$4,862,099</b>	<b>\$2,602,874</b>	<b>\$41,355,845</b>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$29,711	\$0	\$9,132	\$38,843
Interfund Payable	0	0	8,445	8,445
Accrued Wages and Benefits Payable	1,770,171	0	101,879	1,872,050
Intergovernmental Payable	187,172	0	27,805	214,977
<b>Total Liabilities</b>	<b>1,987,054</b>	<b>0</b>	<b>147,261</b>	<b>2,134,315</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Tax	13,151,316	1,597,013	643,021	15,391,350
Revenue in Lieu of Taxes	3,096,521	0	0	3,096,521
Unavailable Revenues	384,215	148,050	151,239	683,504
<b>Total Deferred Inflows of Resources</b>	<b>16,632,052</b>	<b>1,745,063</b>	<b>794,260</b>	<b>19,171,375</b>
<b><u>Fund Balances:</u></b>				
Nonspendable	44,012	0	5,878	49,890
Restricted	0	3,117,036	1,703,246	4,820,282
Committed	174,165	0	0	174,165
Assigned	2,580,249	0	0	2,580,249
Unassigned (Deficit)	12,473,340	0	(47,771)	12,425,569
<b>Total Fund Balances</b>	<b>15,271,766</b>	<b>3,117,036</b>	<b>1,661,353</b>	<b>20,050,155</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$33,890,872</b>	<b>\$4,862,099</b>	<b>\$2,602,874</b>	<b>\$41,355,845</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, 2017

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<b>Total Governmental Fund Balances</b>	\$20,050,155
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*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	47,983,959	
Accumulated depreciation	(13,175,084)	
<b>Total capital assets</b>	<b>37,284,724</b>	<b>37,284,724</b>

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 reported as unavailable revenue in the funds.

Delinquent property taxes	464,883	
Interest	4,913	
Intergovernmental	130,600	
Accounts Receivable	83,108	
<b>Total</b>	<b>683,504</b>	<b>683,504</b>

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (79,131)

Deferred inflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.

Deferred Charge on Refunding	(244,029)
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The net position liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.

Deferred Outflows - Pension	8,499,268	
Deferred Inflows - Pension	(120,108)	
Net Pension Liability	(34,680,010)	
<b>Total</b>	<b>(26,300,850)</b>	<b>(26,300,850)</b>

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	(22,238,599)	
Accretion on capital appreciation bonds	(726,401)	
Certificates of participation	(715,000)	
Premiums on debt issues	(1,027,153)	
Energy Conservation Notes	(695,000)	
Capital leases	(2,965,000)	
Compensated absences	(688,042)	
<b>Total liabilities</b>	<b>(29,055,195)</b>	<b>(29,055,195)</b>

<b>Net Position of Governmental Activities</b>	<b>\$2,339,178</b>
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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, 2017

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$11,692,755	\$1,077,486	\$567,372	\$13,337,613
Intergovernmental	9,398,208	379,738	1,208,160	10,986,106
Interest	136,846	0	0	136,846
Tuition and Fees	1,023,854	0	0	1,023,854
Extracurricular Activities	163,258	0	190,524	353,782
Rent	9,557	0	0	9,557
Customer Sales and Services	6,381	0	548,516	554,897
Contributions and Donations	16,685	0	31,881	48,566
Revenue in Lieu of Taxes	3,096,521	125,969	0	3,222,490
Miscellaneous	102,667	0	9,041	111,708
<b>Total Revenues</b>	<b>25,646,732</b>	<b>1,583,193</b>	<b>2,555,494</b>	<b>29,785,419</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	10,938,821	0	178,652	11,117,473
Special	2,662,251	0	478,315	3,140,566
Student Intervention Services	28,950	0	0	28,950
Support Services:				
Pupils	1,457,355	0	3,588	1,460,943
Instructional Staff	1,087,344	0	94,123	1,181,467
Board of Education	85,825	0	0	85,825
Administration	1,772,856	0	0	1,772,856
Fiscal	591,436	21,632	10,335	623,403
Business	126,730	0	0	126,730
Operation and Maintenance of Plant	1,245,742	0	1,881	1,247,623
Pupil Transportation	1,596,933	0	1,031	1,597,964
Central	10,243	0	0	10,243
Operation of Non-Instructional Services	0	0	920,221	920,221
Extracurricular Activities	555,402	0	190,421	745,823
Capital Outlay	520,108	0	272,698	792,806
Debt Service:				
Principal Retirement	30,000	231,632	212,000	473,632
Interest and Fiscal Charges	18,307	1,064,464	161,746	1,244,517
Capital Appreciation Bond Accretion	0	668,368	0	668,368
Payment to Refunded Bond Escrow Agent	0	22,434	0	22,434
<b>Total Expenditures</b>	<b>22,728,303</b>	<b>2,008,530</b>	<b>2,525,011</b>	<b>27,261,844</b>
Excess of Revenues Over (Under) Expenditures	2,918,429	(425,337)	30,483	2,523,575
<b><u>Other Financing Sources (Uses):</u></b>				
Refunding Bonds Issued	0	10,185,000	0	10,185,000
Premium on Refunding Bonds Issued	0	397,622	0	397,622
Payment to Refunded Bond Escrow Agent	0	(10,420,496)	0	(10,420,496)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>162,126</b>	<b>0</b>	<b>162,126</b>
<b>Net Change in Fund Balances</b>	<b>2,918,429</b>	<b>(263,211)</b>	<b>30,483</b>	<b>2,685,701</b>
<b>Fund Balances at Beginning of Year</b>	<b>12,353,337</b>	<b>3,380,247</b>	<b>1,630,870</b>	<b>17,364,454</b>
<b>Fund Balances at End of Year</b>	<b>\$15,271,766</b>	<b>\$3,117,036</b>	<b>\$1,661,353</b>	<b>\$20,050,155</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, 2017

**Net Change in Fund Balances - Total Governmental Funds** \$2,685,701

*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	40,287	
Depreciation expense	(642,769)	
Excess of depreciation expense over capital outlay		(602,482)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a gain or loss on the sale of capital assets in the Statement of Activities.

Loss on Disposal of Capital Assets		(121,893)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this fiscal year:

Delinquent property taxes	(71,324)	
Tuition and Fees	17,299	
Intergovernmental	208	
Interest	1,869	
Total		(51,948)

Amortization of bond premiums, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities

Decrease in accrued interest	16,483	
Amortization of premiums	76,437	
Amortization of gains on refunding	17,534	
Total		110,454

Repayment of long-term obligations 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	231,632	
Payment of accretion	668,368	
Certificates of participation payments	40,000	
Energy conservation notes payments	30,000	
Capital lease payments	172,000	
Payment to refunded bond escrow agent	10,442,930	
Total long-term obligations repayment		\$11,584,930

Bond 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.

Proceeds of General Obligation Refunding Bonds	(\$10,185,000)	
Premium on General Obligation Refunding Bonds	(397,622)	
Total refunding bond proceeds		(10,582,622)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,931,133

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities. (3,237,241)

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	64,500	
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**Change in Net Position of Governmental Activities** \$1,780,532



**MONROE LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2017

	Budget Amounts			Variance With Final Budget Over/Under
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$11,935,838	\$11,964,602	\$11,964,458	(\$144)
Intergovernmental	8,755,178	9,280,127	9,332,039	51,912
Interest	180,000	185,000	184,516	(484)
Tuition and Fees	1,092,327	1,202,269	1,017,083	(185,186)
Extracurricular Activities	146,000	163,964	161,951	(2,013)
Rent	17,000	11,000	10,664	(336)
Customer Sales and Services	5,000	5,000	6,381	1,381
Contributions and Donations	12,000	16,856	16,685	(171)
Revenue in Lieu of Taxes	3,000,000	3,000,000	3,096,521	96,521
Miscellaneous	17,100	19,140	50,357	31,217
<i>Total Revenues</i>	<u>25,160,443</u>	<u>25,847,958</u>	<u>25,840,655</u>	<u>(7,303)</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	12,365,252	11,086,521	11,029,511	57,010
Special	2,756,339	2,651,438	2,647,881	3,557
Student Intervention Services	50,000	40,000	28,950	11,050
Support Services:				
Pupils	1,696,544	1,565,345	1,528,999	36,346
Instructional Staff	1,052,480	1,214,875	1,131,001	83,874
Board of Education	155,600	119,555	96,237	23,318
Administration	2,126,955	1,870,551	1,830,341	40,210
Fiscal	745,030	699,895	608,453	91,442
Business	55,977	125,977	125,362	615
Operation and Maintenance of Plant	2,121,457	1,645,053	1,644,844	209
Pupil Transportation	524,410	1,684,320	1,666,987	17,333
Central	201,055	36,010	10,446	25,564
Extracurricular Activities	546,128	572,128	556,994	15,134
Capital Outlay	526,992	812,902	520,108	292,794
Debt Service:				
Principal	30,000	30,000	30,000	0
Interest and Fiscal Charges	19,000	19,000	18,307	693
<i>Total Expenditures</i>	<u>24,973,219</u>	<u>24,173,570</u>	<u>23,474,421</u>	<u>699,149</u>
Excess of Revenues Over Expenditures	187,224	1,674,388	2,366,234	691,846
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	0	65,000	64,155	(845)
Transfers In	35,000	0	0	0
Transfers Out	0	(8,498)	0	8,498
Advances Out	(620,432)	(620,432)	(620,432)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(585,432)</u>	<u>(563,930)</u>	<u>(556,277)</u>	<u>7,653</u>
<i>Net Change in Fund Balance</i>	(398,208)	1,110,458	1,809,957	699,499
<i>Fund Balance at Beginning of Year</i>	13,757,703	13,757,703	13,757,703	0
<i>Prior Year Encumbrances Appropriated</i>	807,290	807,290	807,290	0
<i>Fund Balance at End of Year</i>	<u>\$14,166,785</u>	<u>\$15,675,451</u>	<u>\$16,374,950</u>	<u>\$699,499</u>

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

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	Private Purpose Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$91,431	\$103,020
	<u>                    </u>	<u>                    </u>
<b><u>Liabilities:</u></b>		
Undistributed Monies	0	20,115
Due to Students	0	82,905
	<u>                    </u>	<u>                    </u>
<i>Total Liabilities</i>	0	\$103,020
	<u>                    </u>	<u>                    </u>
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	\$91,431	
	<u>                    </u>	

See accompanying notes to the basic financial statements

**MONROE LOCAL SCHOOL DISTRICT**  
Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2017

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	<u>Scholarship Fund</u>
<b><u>Additions:</u></b>	
Gifts and Contributions	\$6,790
Interest	1,134
Miscellaneous	<u>2,000</u>
Total Additions	9,924
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreement	<u>5,458</u>
<i>Change in Net Position</i>	4,466
<i>Net Position at Beginning of Year</i>	<u>86,965</u>
<i>Net Position at End of Year</i>	<u><u>\$91,431</u></u>

See accompanying notes to the basic financial statements

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**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**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 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwest Ohio Computer Association  
Butler Technology and Career Development Schools

Insurance Purchasing Pools:

Cincinnati USA Regional Chamber Retrospective Group Rating Plan  
Butler Health Plan

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(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.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

**Fund Accounting**

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

*Governmental Funds*

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 three fiduciary funds: a private purpose trust fund used to account for college scholarship programs for students and two agency funds; one is used to account for student managed activity programs and the other is used to account for Ohio High School Athletic Association monies.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

**Measurement Focus**

*Government-wide Financial Statements*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources 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.

*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.



**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements and donations. 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 7). 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 and interest.

*Deferred Outflows / Inflows of Resources*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

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, revenue in lieu of taxes, pension, deferred charge on refunding, and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 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, accounts receivable and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 15. The deferred inflows of resources related to deferred charge on refunding and pension are reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflows of resources related to pension are explained in Note 12.

*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 2017, the School District invested in negotiable certificates of deposit, a money market mutual fund, commercial paper, federal securities, and the State Treasury Assets Reserve of Ohio (STAROhio). Investments, except for STAR Ohio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share prices.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 was \$136,846, which included \$30,560 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**

On fund financial statement, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017 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.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

**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 acquisition values as of the date received. The School District maintains a capitalization threshold of \$3,000. 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:

Description	Estimated Lives
Land Improvements	5 - 50 years
Buildings and Improvements	15 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 15 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.

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.

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

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

**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 and net pension liability 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, energy conservation notes, 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.

**Pension**

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

**Fund Balance**

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

*Nonspendable* - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by 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.

*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. In the General Fund, assigned amounts include amounts to be assigned by principals for community service activities. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2018 appropriation budget.

*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.

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

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

**Internal Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

**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. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year, including all supplemental appropriations.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

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

**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred inflows of resources on the Statement of Net Position.

**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 - CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.



**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2017, the following nonmajor special revenue funds had deficit fund balances:

Funds	Amounts
Title VI-B Fund	\$42,078
Title III Fund	5,012
Improving Teacher Quality Fund	681
Total	\$47,771

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - 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).
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. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Change in Fund Balance	
GAAP Basis	\$2,918,429
Adjustments:	
Revenue Accruals	262,116
Expenditure Accruals	(691,869)
Encumbrances	(674,681)
Decrease in Fair Value of Investments - 2016	25,760
Increase in Fair Value of Investments - 2017	(29,798)
Budget Basis	\$1,809,957

**NOTE 6 - 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;

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 6 - 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

As of June 30, 2017, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard &amp; Poor's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value per Share:				
STAR Ohio	\$8,942,014	45.5 days	AAAm	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	639,738	Less than three years	N/A	N/A
Money Market Mutual Fund	26,132	Less than one year	N/A	N/A
Federal Farm Credit Bank Notes	345,926	Less than one year	AA+	N/A
Federal National Mortgage Association Notes	2,447,085	Less than five years	AA+	11.58%
Federal Home Loan Mortgage Corporation Notes	918,914	Less than three years	AA+	N/A
Commercial Paper	7,811,703	Less than one year	A1+ to A1	36.97
Total Investments	<u>\$21,131,512</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. All of the School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

*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.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

*Credit Risk*

The Standard and Poor's ratings of the School District's investments are listed in the table above. STAR Ohio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAR Ohio maintain the highest rating provided by at least on nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States Government sponsored enterprises.

*Concentration of Credit Risk*

The School District's investment policy places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of the total investments is listed in the table preceding.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, 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.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 7 - PROPERTY TAXES (Continued)**

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, 2017 are available to finance fiscal year 2017 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, 2017 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, 2017 was \$179,318 and is recognized as revenue: \$107,385 in the General Fund, \$64,276 in the Bond Retirement Debt Service Fund and \$7,657 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2016 was \$625,217 and is recognized as revenue: \$379,088 in the General Fund, \$219,150 in the Bond Retirement Debt Service Fund, and \$26,979 in the Nonmajor 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.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$170,863,140	55.14%	\$173,256,100	55.64%
Public Utility Personal	77,920,590	25.14%	78,348,180	25.16%
Tangible Personal Property	61,103,810	19.72%	59,799,030	19.20%
Total Assessed Value	<u>\$309,887,540</u>	<u>100.00%</u>	<u>\$311,403,310</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$48.12		\$48.67	

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 7 - PROPERTY TAXES (Continued)**

**Payments in Lieu of Taxes**

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships, and counties can enter into TIF agreements which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The Service payments that the School District receives as part of TIF agreements are presented on the financial statements as Revenue in Lieu of Taxes.

**NOTE 8 - TAX ABATEMENTS**

School District property taxes were reduced as follows under Community Reinvestment Area (CRA) agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
Community Reinvestment Areas:	
City of Monroe	\$1,583,656

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, revenue in lieu of taxes, accounts, interfund, intergovernmental grants and accrued interest. 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.

The School District receives payment in lieu of taxes from multiple Tax Increment Financing Agreements that were entered into between the School District and corporations. These payments will be received based on each individual agreement.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 9 – RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
IDEA-B	\$33,752
Title III - LEP	5,435
Title I	154,884
Early Childhood Special Education	2,327
Title II-A	10,331
Bureau of Worker's Compensation	45,589
Medicaid Reimbursement	4,809
Federal Assistance	971
Total Intergovernmental Receivable	<u><u>\$258,098</u></u>

**NOTE 10 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	Balance at 6/30/16	Additions	Deductions	Balance at 6/30/17
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$2,475,849	\$0	\$0	\$2,475,849
Capital Assets Being Depreciated:				
Land Improvements	217,100	0	0	217,100
Buildings and Improvements	44,828,321	22,931	(16,566)	44,834,686
Furniture, Fixtures, and Equipment	3,654,046	17,356	(847,139)	2,824,263
Vehicles	109,910	0	(2,000)	107,910
Total Capital Assets Being Depreciated	<u>48,809,377</u>	<u>40,287</u>	<u>(865,705)</u>	<u>47,983,959</u>
Less Accumulated Depreciation:				
Land Improvements	(14,339)	(5,728)	0	(20,067)
Buildings and Improvements	(10,609,228)	(584,992)	10,563	(11,183,657)
Furniture, Fixtures, and Equipment	(2,577,109)	(51,211)	732,815	(1,895,505)
Vehicles	(75,451)	(838)	434	(75,855)
Total Accumulated Depreciation	<u>(13,276,127)</u>	<u>(642,769) *</u>	<u>743,812</u>	<u>(13,175,084)</u>
Total Capital Assets Being Depreciated, Net	<u>35,533,250</u>	<u>(602,482)</u>	<u>(121,893)</u>	<u>34,808,875</u>
Governmental Activities Capital Assets, Net	<u><u>\$38,009,099</u></u>	<u><u>(\$602,482)</u></u>	<u><u>(\$121,893)</u></u>	<u><u>\$37,284,724</u></u>

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



**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 10 - CAPITAL ASSETS (Continued)**

Instruction:	
Regular	\$570,211
Special	600
Support Services:	
Pupils	500
Instructional Staff	10,298
Fiscal	821
Operation and Maintenance of Plant	52,447
Central	1,368
Operation of Non-Instructional Services	1,002
Extracurricular Activities	5,522
Total Depreciation Expense	\$642,769

**NOTE 11 - 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 Wright Specialty Insurance for general commercial, fleet, employee benefits liability and boiler and machinery coverage.

Settled claims have not exceeded this coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior fiscal year.

**Workers' Compensation**

For fiscal year 2017, the School District participated in the Cincinnati USA Chamber of Commerce retrospective group rating program, an insurance purchasing pool (See Note 18). 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 Sheakley UniComp provides administrative, cost control, and actuarial services to the GRP.

**Employee Medical Benefits**

For fiscal year 2017, the School District participated in the Butler Health Plan (BHP), a group insurance purchasing pool (See Note 18), in order to provide medical and dental benefits to associates, their dependents, and designated beneficiaries.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

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

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. The School District contracts out janitorial and maintenance services, transportation services, and a portion of their cafeteria services. Since these services are common to the normal daily operation of a school district, these workers are members of SERS and the School District is legally responsible for making the employer contribution to SERS. This relationship is presented as a special funding situation within the accompanying financial statements. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$252,801 for fiscal year 2017. Of this amount, \$10,894 is reported as an intergovernmental payable. The Special Funding Situation contractually required contribution to SERS was \$252,800 for fiscal year 2017. Of this amount, \$10,893 is reported as an intergovernmental payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,425,532 for fiscal year 2017. Of this amount \$187,244 is reported as an intergovernmental payable.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS			Total
	Contributions made by School District	Special Funding Situation	STRS	
Proportion of the Net Pension Liability Prior Measurement Date	0.04329400%	0.04329400%	0.07679520%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04398500%</u>	<u>0.04398500%</u>	<u>0.08437071%</u>	
Change in Proportionate Share	<u><u>0.00069100%</u></u>	<u><u>0.00069100%</u></u>	<u><u>0.00757551%</u></u>	
Proportionate Share of the Net Pension Liability	\$3,219,295	\$3,219,295	\$28,241,420	\$34,680,010
Pension Expense	\$317,204	\$317,204	\$2,602,833	\$3,237,241

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

	SERS		STRS	Total
	Contributions made by School District	Special Funding Situation		
<b>Deferred Outflows of Resources:</b>				
Differences between expected and actual experience	\$43,421	\$43,421	\$1,141,089	\$1,227,931
Changes of assumptions	214,906	214,905	0	429,811
Net difference between projected and actual earnings on pension plan investments	265,545	265,545	2,344,797	2,875,887
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	28,796	28,795	1,976,915	2,034,506
School District contributions subsequent to the measurement date	252,801	252,800	1,425,532	1,931,133
Total Deferred Outflows of Resources	<u>\$805,469</u>	<u>\$805,466</u>	<u>\$6,888,333</u>	<u>\$8,499,268</u>
<b>Deferred Inflows of Resources:</b>				
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>\$60,054</u>	<u>\$60,054</u>	<u>\$0</u>	<u>\$120,108</u>

\$1,931,133 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

	SERS		STRS	Total
	Contributions	Special		
	made by School District	Funding Situation		
Fiscal Year Ending June 30:				
2018	\$113,484	\$113,484	\$1,067,528	\$1,294,496
2019	113,293	113,293	1,067,528	1,294,114
2020	189,503	189,503	1,967,292	2,346,298
2021	76,334	76,332	1,360,453	1,513,119
Total	\$492,614	\$492,612	\$5,462,801	\$6,448,027

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:



**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,262,148	\$3,219,295	\$2,346,386
Special Funding Situation proportionate share of the net pension liability	\$4,262,147	\$3,219,295	\$2,346,386

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$37,530,552	\$28,241,420	\$20,405,489

**Changes between Measurement Date and Report Date**

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

**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, 2017, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$40,760.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$40,760, \$41,027 , and \$51,155, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

**State Teachers Retirement System of Ohio**

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 partial 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.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**NOTE 14 - 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 260 days. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to the 260 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 Sun Live, and vision insurance through Vision Service Plan (VSP). See Note 18 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. The District also offers a deferred compensation plan in accordance with Internal Revenue Code 403B. 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 the employee reaches age 59 ½, termination, retirement, death or disability. VOYA ING is the deferred compensation plan administrator.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 15 - LEASES - LESSEE DISCLOSURE**

During 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 was reimbursed costs up to \$4,585,000 for expenditures made on work completed. The School District makes semi-annual lease payments to U. S. Bank.

Total principal payments in fiscal year 2017 totaled \$172,000.

The assets acquired through the capital leases as of June 30, 2017 are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Buildings and Improvements	\$3,488,714	(\$560,564)	\$2,928,150

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, 2017:

Fiscal Year Ending June 30,	Fieldhouse	Stadium	Total Payments
2018	\$95,000	\$185,036	\$280,036
2019	99,000	184,938	283,938
2020	104,000	184,632	288,632
2021	109,000	185,141	294,141
2022	114,000	185,442	299,442
2023-2027	246,000	929,499	1,175,499
2028-2031	0	935,583	935,583
2032-2034	0	377,575	377,575
Total	\$767,000	\$3,167,846	3,934,846
		Less: Amount Representing Interest	(969,846)
		Present Value of Net Minimum Lease Payments	\$2,965,000

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Amounts Due Within One Year
<b><u>General Obligation Bonds:</u></b>					
2002 School Improvement Obligation Bonds					
Serial Bonds	\$3,405,000	\$0	\$0	\$3,405,000	\$0
Capital Appreciation Bonds Accretion on Capital Appreciation Bonds	255,231	0	131,632	123,599	123,599
Premiums on Bonds	1,394,769	0	668,368	726,401	726,401
2006 School Improvement Refunding Obligation Bonds	297,456	0	21,761	275,695	0
Serial Bonds	8,625,000	0	0	8,625,000	0
Term Bonds	10,225,000	0	10,225,000	0	0
Premiums on Bonds	883,858	0	508,376	375,482	0
2016 Refunding Bonds					
Serial Bonds	0	7,760,000	100,000	7,660,000	25,000
Term Bonds	0	1,115,000	0	1,115,000	0
Premiums on Bonds	0	397,622	25,488	372,134	0
2017 Refunding Bonds					
Term Bonds	0	1,310,000	0	1,310,000	25,000
<b>Total General Obligation Bonds</b>	<b>\$25,086,314</b>	<b>\$10,582,622</b>	<b>\$11,680,625</b>	<b>\$23,988,311</b>	<b>\$900,000</b>

(continued)

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Amounts Due Within One Year
<b><u>Other Long-Term Obligations:</u></b>					
Net Pension Liability:					
SERS	\$4,940,795	\$1,497,795	\$0	\$6,438,590	\$0
STRS	21,223,946	7,017,474	0	28,241,420	0
<b>Total Net Pension Liability</b>	<b>26,164,741</b>	<b>8,515,269</b>	<b>0</b>	<b>34,680,010</b>	<b>0</b>
2010 Certificates of Participation					
Serial Bonds	125,000	0	40,000	85,000	40,000
Term Bonds	630,000	0	0	630,000	0
Premiums on Bonds	4,147	0	305	3,842	0
Energy Conservation Notes	725,000	0	30,000	695,000	45,000
Capital Leases	3,137,000	0	172,000	2,965,000	181,000
Compensated Absences	752,542	524,914	589,414	688,042	41,125
<b>Total Long-Term Obligations</b>	<b>31,538,430</b>	<b>9,040,183</b>	<b>831,719</b>	<b>39,746,894</b>	<b>307,125</b>
<b>Total Governmental Activities</b>	<b>\$56,624,744</b>	<b>\$19,622,805</b>	<b>\$12,512,344</b>	<b>\$63,735,205</b>	<b>\$1,207,125</b>



**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

*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 and the final maturity will be December 1, 2023. 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 \$2,474,772. The bonds were fully accreted at the end of fiscal year 2016.

*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. During fiscal year 2017, the School District refunded a portion of the bonds and the final maturity will be December 1, 2025. The remaining bonds will be paid from property tax revenue in the Bond Retirement Fund.

On September 7, 2016 the School District issued \$8,875,000 refunding bonds in order to refund a portion of the 2006 school improvement refunding obligation bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2029. As a result, \$8,915,000 of the 2006 school improvement refunding obligation bonds are considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. The School District decreased its total debt service payments by \$2,161,515 as a result of the refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$1,856,140, but incurred an accounting gain of \$221,663 (difference between reacquisition price and net carrying amount of the old debt), which is shown in the following table:

2016 Refunding Bonds:	
Refunded Bonds Outstanding at June 30, 2016	\$8,915,000
Premium on Refunded bonds at June 30, 2016	442,287
Total Refunded Bonds Outstanding at June 30, 2016	9,357,287
Amortization of Premium Prior to Refunding	(25,128)
Payment to Refunded Bond Escrow Agent - Other Financing Use	(9,110,496)
2016 Refunding Bonds Accounting Gain	\$221,663

The bonds were sold at a premium of \$397,622.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

On March 7, 2017 the School District issued \$1,310,000 refunding bonds in order to refund a portion of the 2006 school improvement refunding obligation bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2029. As a result, \$1,310,000 of the 2006 school improvement refunding obligation bonds are considered defeased and the liability for the refunded bonds has been removed from the School District’s financial statements. The School District decreased its total debt service payments by \$249,269 as a result of the refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$199,299, but incurred an accounting gain of \$39,900 (difference between reacquisition price and net carrying amount of the old debt), which is shown in the following table:

2017 Refunding Bonds:	
Refunded Bonds Outstanding at June 30, 2016	\$1,310,000
Premium on Refunded bonds at June 30, 2016	66,089
Total Refunded Bonds Outstanding at June 30, 2016	1,376,089
Amortization of Premium Prior to Refunding	(3,755)
Payment to Refunded Bond Escrow Agent - Debt Service	(22,434)
Payment to Refunded Bond Escrow Agent - Other Financing Use	(1,310,000)
2017 Refunding Bonds Accounting Gain	\$39,900

*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.

*2016 Energy Conservation Notes* – On May 11, 2016, the School District issued \$725,000 Energy Conservation Notes to finance energy efficient upgrades to the buildings. The notes were issued for a 15 year period with final maturity on December 1, 2030. The notes will be repaid from the General Fund.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Capital leases will be paid through the Permanent Improvement Fund. Compensated absences will be paid from the General Fund, the Food Service, IDEA-B, Title I and Reducing Class Size special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Food Service, IDEA-B, Title I and Reducing Class Size. For additional information related to the net pension liability see Note 12.

The School District's overall legal debt margin was \$8,189,735 with an unvoted debt margin of \$311,403 at June 30, 2017.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	General	General	Capital	Capital
	Obligation Bonds Principal	Obligation Bonds Interest	Appreciation Bonds Principal	Appreciation Bonds Interest
2018	\$0	\$195,788	\$123,599	\$726,401
2019	945,000	168,619	0	0
2020	1,195,000	107,094	0	0
2021	1,265,000	36,369	0	0
Total	<u>\$3,405,000</u>	<u>\$507,870</u>	<u>\$123,599</u>	<u>\$726,401</u>

Fiscal Year Ending June 30,	Refunding	Refunding	Certificates of	Certificates of
	Bonds Principal	Bonds Interest	Participation Principal	Participation Interest
2018	\$50,000	\$745,504	\$40,000	\$33,719
2019	40,000	744,621	45,000	32,016
2020	40,000	743,819	45,000	30,103
2021	40,000	743,016	45,000	28,078
2022	1,430,000	703,926	50,000	25,881
2023-2027	9,600,000	2,136,991	280,000	91,656
2028-2030	7,510,000	349,425	210,000	17,063
Total	<u>\$18,710,000</u>	<u>\$6,167,302</u>	<u>\$715,000</u>	<u>\$258,516</u>

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Fiscal Year Ending June 30,	Energy Conservation Notes Principal	Energy Conservation Notes Interest
2018	\$45,000	\$16,409
2019	45,000	15,311
2020	45,000	14,213
2021	45,000	13,115
2022	45,000	12,017
2023-2027	250,000	42,090
2028-2031	220,000	10,736
Total	\$695,000	\$123,891

**NOTE 17 - INTERFUND ACTIVITY**

As of June 30, 2017, the Bond Retirement Fund received the final repayment of the interfund cash advance in the amount of \$620,432 for a long-term loan made to the General Fund.

The General Fund also advanced \$8,445 to non-major funds to cover negative cash balances. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial Advance.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 18 - 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 41 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 41 school districts. The School District paid SWOCA \$134,373 for services provided during the fiscal year. Each School District's degree of control is limited to its representation on the Board. The financial statements for SWOCA are available at 3611 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 Board exercises total control over operations of the District including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District did not pay Butler Tech during fiscal year 2017 for dues and fees. To obtain financial information, write to Butler Tech at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

**Insurance Purchasing Pools**

*Cincinnati USA Regional Chamber Retrospective Group Rating Program*

The School District participates in the Cincinnati USA Chamber Retrospective Group Rating Program, an insurance purchasing pool. Each year, the District pays an enrollment fee to Sheakley to cover the costs of administering the program.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (Continued)**

*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 19 - 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, 2016	\$0
Current Fiscal Year Set-aside Requirement	464,289
Current Fiscal Year Offsets	(464,289)
Set-aside Balance as of June 30, 2017	\$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 20 - 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 \$674,681 in the General Fund and \$25,346 in nonmajor governmental funds.

**NOTE 21 - 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>				
Inventory	\$0	\$0	\$5,878	\$5,878
Prepays	44,012	0	0	44,012
<b><i>Total Nonspendable</i></b>	<b>44,012</b>	<b>0</b>	<b>5,878</b>	<b>49,890</b>
<b><i>Restricted for:</i></b>				
Debt Service Payments	0	3,117,036	0	3,117,036
Permanent Improvements	0	0	1,402,351	1,402,351
Food Service	0	0	129,870	129,870
Student Management Activities	0	0	115,211	115,211
State and Federal Grants	0	0	55,814	55,814
<b><i>Total Restricted</i></b>	<b>0</b>	<b>3,117,036</b>	<b>1,703,246</b>	<b>4,820,282</b>
<b><i>Committed to:</i></b>				
Contracted Services	174,165	0	0	174,165
<b><i>Assigned to:</i></b>				
Community Service Activities	143,241	0	0	143,241
Purchases on Order	492,642	0	0	492,642
Future Appropriations	1,944,366	0	0	1,944,366
<b><i>Total Assigned</i></b>	<b>2,580,249</b>	<b>0</b>	<b>0</b>	<b>2,580,249</b>
<b><i>Unassigned (Deficit):</i></b>	<b>12,473,340</b>	<b>0</b>	<b>(47,771)</b>	<b>12,425,569</b>
<b><i>Total Fund Balances</i></b>	<b>\$15,271,766</b>	<b>\$3,117,036</b>	<b>\$1,661,353</b>	<b>\$20,050,155</b>

**Monroe Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 22 - 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, 2017, if applicable, cannot be determined at this time.

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Litigation**

The School District was not party to any legal proceedings at the end of the fiscal year.



**Monroe Local School District**  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
<b>School District Contributions:</b>				
School District's Proportion of the Net Pension Liability	0.04398500%	0.04329400%	0.04528150%	0.04528150%
School District's Proportionate Share of the Net Pension Liability	\$3,219,295	\$2,470,398	\$2,291,671	\$2,692,746
School District's Covered Payroll	\$1,373,221	\$1,303,376	\$1,274,358	\$1,372,809
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	234.43%	189.54%	179.83%	196.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
<b>Special Funding Situation:</b>				
School District's Proportion of the Net Pension Liability	0.04398500%	0.04329400%	0.04528150%	0.04528150%
School District's Proportionate Share of the Net Pension Liability	\$3,219,295	\$2,470,397	\$2,291,671	\$2,692,745

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

**Monroe Local School District**  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08437071%	0.07679520%	0.07493390%	0.07493390%
School District's Proportionate Share of the Net Pension Liability	\$28,241,420	\$21,223,946	\$18,226,518	\$21,711,309
School District's Covered Payroll	\$9,035,507	\$7,377,821	\$7,631,077	\$7,500,608
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	312.56%	287.67%	238.85%	289.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

**Monroe Local School District**  
 Required Supplementary Information  
 Schedule of School District Contributions  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>School District Contributions:</b>				
Contractually Required Contribution	\$252,801	\$192,251	\$171,785	\$176,626
Contributions in Relation to the Contractually Required Contribution	<u>(252,801)</u>	<u>(192,251)</u>	<u>(171,785)</u>	<u>(176,626)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,805,721	\$1,373,221	\$1,303,376	\$1,274,358
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%
<b>Special Funding Situation:</b>				
Contractually Required Contribution	\$252,800	\$190,232	\$171,785	\$176,626
Contributions in Relation to the Contractually Required Contribution	<u>(252,800)</u>	<u>(190,232)</u>	<u>(171,785)</u>	<u>(176,626)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

**Monroe Local School District**  
Required Supplementary Information  
Schedule of School District Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$1,425,532	\$1,264,971	\$1,032,895	\$992,040	\$975,079	\$1,196,585	\$1,303,000	\$1,138,000	\$1,203,000	\$1,027,655
Contributions in Relation to the Contractually Required Contribution	<u>(1,425,532)</u>	<u>(1,264,971)</u>	<u>(1,032,895)</u>	<u>(992,040)</u>	<u>(975,079)</u>	<u>(1,196,585)</u>	<u>(1,303,000)</u>	<u>(1,138,000)</u>	<u>(1,203,000)</u>	<u>(1,027,655)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$10,182,371	\$9,035,507	\$7,377,821	\$7,631,077	\$7,500,608	\$9,204,500	\$10,023,076	\$8,753,846	\$9,253,846	\$7,905,038
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Monroe Local School District**  
Notes to The Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

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**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Commodities)			
National School Lunch Program	10.555	172OH062N1099	\$ 26,633
Cash Assistance			
National School Breakfast Program	10.553	172OH062N1099	51,245
National School Lunch Program	10.555	172OH062N1099	294,145
Total Nutrition Cluster			<u>372,023</u>
Total U.S. Department of Agriculture			<u><b>372,023</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	S010A160035	204,817
Special Education Cluster			
Special Education - Grants to the States	84.027	H027A160111	447,467
Special Education - Preschool	84.173	H173A160119	1,284
Total Special Education Cluster			<u>448,751</u>
Title III English Language Acquisition Grant	84.365	S365A160035	35,621
Title II-A Improving Teacher Quality State Grants	84.367	S637A160034	41,408
Total U.S. Department of Education			<u><b>730,597</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><u><b>\$1,102,620</b></u></u>

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

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Monroe Local School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – FOOD DONATION PROGRAM**

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

**NOTE E - MATCHING REQUIREMENTS**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2016 to 2017 programs:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount Transferred</b>
Special Education - Grants to States	84.027	\$ 536
Title III English Language Acquisition	84.365	\$ 9,512
Title I Grants	84.010	\$ 63,161
Special Education - Preschool	84.173	\$ 678
Title II-A Improving Teacher Quality	84.367	\$ 13,577





# 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 the Monroe Local School District, Butler County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2018.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2017-001 and 2017-002 to be significant deficiencies.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

***District's Response to Findings***

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

***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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 25, 2018



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

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

We have audited the Monroe Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Monroe Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for the District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Monroe Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

**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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 25, 2018

**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (IDEA, Part B): CFDA #84.027 Special Education – Grants to State (IDEA, Part B) CFDA #84.173 Special Education – Preschool Grants (IDEA Preschool)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

**FINDING NUMBER 2017-001**

**Significant Deficiency/Finding for Recovery Resolved Under Audit**

The District employed Patti L. Kellis as a Special Education teacher's aide during fiscal year 2017. On May 22, 2016, the Board approved Ms. Kellis's contract for fiscal year 2017 which stipulated her annual salary to be \$24,515 which would calculate to an hourly rate of \$17.96. However, a data input error had Ms. Kellis's pay rate in the system as \$19.96, resulting in Ms. Kellis being overpaid a total of \$2,310.

**FINDING NUMBER 2017-001  
(Continued)**

For pay periods ending September 2, 2016 through June 23, 2017, Ms. Kellis was overpaid \$105 on each paycheck, with \$30 from the Athletics Fund and \$75 from the Special Education Fund. Therefore, a total of \$300 and \$2,010 was overpaid from the two funds, respectively, for a total overpayment of \$2,310.

On June 22, 2017, the District changed the coding of expenditures in the Special Education Fund in the amount of \$10,070 to the General Fund. Therefore, the \$2,010 in overpayments from the Special Education Fund was effectively re-coded to the General Fund.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ms. Kellis in the amount of \$2,010 in favor of Monroe Local School District's General Fund and \$300 in favor of the District's Athletic Fund, for a total of \$2,310.

The District and Ms Kellis signed an agreement for repayment of the Finding on January 19, 2018 for \$30 to be deducted from her pay for 77 pays, beginning on January 19, 2018. As of January 23, 2018, \$30 has been repaid to the General Fund and \$0 has been repaid to the Athletic Fund.

The District should review compensation for employees and verify that payments are made in accordance with applicable contracts. Failure to do so could result in overpayments in future years going undetected and resulting in findings for recovery in subsequent audits.

**Officials' Response:**

This overpayment occurred in August 2016 when the new contracts were uploaded into payroll for fiscal year 2017. This error occurred at the beginning of the contract year for one staff member. Once the contract amount is entered into the system, it stays the same throughout all twenty-six payroll periods. The error was discovered when the staff member's contract for fiscal year 2018 was calculated for payment in September 2017, at the time the audit was just beginning. When the new calculation showed a decrease in salary, we knew there was a problem and should have implemented a re-payment plan immediately.

At the time of the error, the Payroll Specialist had less than three months of training. The Human Resources Administrative Assistant who prepares contracts was hired in August 2016, the month the error occurred. As of this Audit Report, both employees have been in their positions over 20 months. In addition, in June 2017, the school hired a new EMIS Coordinator who is skilled in creating and managing Access Database. The Access Database is proving to be important in managing salaries and contracts, and a useful tool in implementing effective controls over administering contracts. Appropriate checking and signoff by the Human Resource Department and the Treasurer's office will prevent this from occurring again.

**FINDING NUMBER 2017-002**

**Significant Deficiency**

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The District purchased multiple capital assets during fiscal year 2017. However, there was failure to properly post the assets to the system. The assets were posted at the total amount for all units instead of the individual item amount. The following table reflects the differences between the recorded values and the amounts that should have been recorded for each individual asset:

**FINDING NUMBER 2017-002  
 (Continued)**

Tag Number	Amount Recorded	Amount per Invoice	Variance
7763	\$6,602	\$193	\$6,409
8557	24,166	1,315	22,851
8644	3,500	700	2,800
8660	4,311	479	3,832
8680	5,500	487	5,013
8720	45,862	22,931	22,931
9502	5,500	173	5,327
9533	6,387	173	6,214
<b>Totals</b>	<b>\$101,828</b>	<b>\$26,451</b>	<b>\$75,377</b>

Eight of the nine (89%) asset additions tested were incorrectly posted. We project the error to total capital asset additions to be \$648,369.

This issue led to the additions being depreciated incorrectly. The following assets were depreciated incorrectly:

Tag Number	Amount Depreciated	Correct Depreciation	Variance
7763	\$1,210	\$0	\$1,210
9502	1,100	0	1,100
8644	642	0	642
8660	431	0	431
9533	1,277	0	1,277
<b>Total:</b>			<b>\$4,660</b>

Five of the 15 (67%) depreciation amounts tested were miscalculated. When applied to total depreciation, the projected error is \$245,526.

Failure to maintain proper records on capital assets could result in misappropriation of assets and misstatement of recorded assets. We recommend the District take due care to report capital asset additions correctly which would lead to appropriate depreciation amounts.

**Officials' Response:**

The Accounts Payable Specialist is responsible for recording new inventory and changes in inventory, into the Fixed Asset system. This is in addition to paying invoices and recording all receipts. She was assigned this task during fiscal year 2017. Instead of posting the Chromebooks individually, she entered the purchase order amount for multiple Chromebooks and did not realize the reports would show the entire purchase order value for each Chromebook. The error was corrected as soon as it was discovered. The Treasurer should closely monitor the data entry and preparation of the reports. Oversight is especially important when staff members are new to tasks, and oversight of details was not done to the level of preventing this mistake. However, the Treasurer will more closely oversee the data, the process and procedures over recording inventory from now on.

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**MONROE LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	<p>We have developed a new procedure for both entering data into payroll at the start of each contract, and during the year when staff move on the salary schedule.</p> <p>The EMIS Coordinator has developed an Access Database which contains the employees name, ID, Step, pay category, and contract amount. (In this regard, she is the Access Database Coordinator).</p> <p>At the start of the contract year, contract amounts and salary steps are updated using the Access Database. The Access Database is then used to print the employee contracts.</p> <p>Each Contract is checked and verified by the Human Resource Administrative Assistant and Director of HR. The Director of HR will then initial each contract.</p> <p>After the Database/Contracts are checked, the Database spreadsheet is given to the Payroll Specialist. The Payroll Specialist will convert the Database spreadsheet into a file for upload into the payroll system for the next contract year.</p> <p>When this is completed she will print the New Contract report from the payroll system PRIOR to making the new contract information permanent. The New Contract report will be verified by the Data Base Coordinator against the original Access Database to ensure the uploaded salary amounts are correct. She will initial the New Contract Report.</p> <p>After the Database Coordinator has verified the contract information upload is correct, she will document that she has reviewed it and it is correct and give to the Payroll Specialist. The Payroll Specialist will then and the information will be made permanent in the payroll system.</p> <p>The Payroll Specialist will use the Access Database spreadsheet to create a Payroll Balancing spreadsheet. She will run a Per Pay Report from the system. At the start of the year, the Treasurer will verify and initial the Per Pay Report to confirm it matches the Payroll Balancing Spreadsheet.</p>	June 30, 2018	Holly J. Cahall, Treasurer

	<p>The Payroll Specialist will also upload the Payroll Balancing spreadsheet into each payroll. She will upload the Access Database spreadsheet into the payroll drive to signify it has been reconciled with the Payroll Spreadsheet for each pay.</p> <p>When contract changes occur throughout the year, a new contract will be given to the Payroll Specialist by the HR Administrative Assistant. The contract change will be made in the payroll system. The Payroll Specialist will verify that the changes have been made to the Balancing Spreadsheet as well as the payroll system by initialing the contract and returning it to the HR department. Copies of the initialed contract and screen shots of the changes in the payroll system will be uploaded into the payroll folder in which these changes will begin. The HR Administrative Assistant will match it to the screenshot and initial the contract and maintain in the personnel file.</p> <p>The errors with pay codes have been corrected by assigning an actual job with the correct pay code for every regular, supplemental and temporary pay. We will no longer assign miscellaneous pay as part of a regular job. This way all payments will clearly be recorded to an appropriate pay code.</p>		
2017-002	<p>The Accounts Payable Specialist will attend all trainings offered by SWOCA on the Fixed Asset System. The Accounts Payable Specialist will compare the Fixed Asset Report with the Budget Ledger to check for accuracy and completeness. On a quarterly basis, the Treasurer will compare expenditure reports with fixed asset reports, to verify that all fixed assets purchased are entered into the system, and that the value as entered is correct and matches the detailed expense report. At the end of the year, and after all inventory is entered, the Accounts Payable Specialist will run reports to check for accuracy. She will sign off on the reports. Then the Treasurer will run fixed asset reports, and check for accuracy, and also sign off on the reports.</p>	June 30, 2018	Holly J. Cahall, Treasurer



# 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  
FEBRUARY 20, 2018**