



**Auditor of State  
Betty Montgomery**



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Monroeville Local School District  
Huron County  
101 West Street  
Monroeville, Ohio 44847-9439

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Monroeville Local School District, Huron County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Monroeville Local School District, Huron County, Ohio as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 10, 2003

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 3,064,914	\$ 54,502	\$ 61,644
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	2,398,396	-	82,116
Accounts	85	6	-
Accrued interest	15,216	-	-
Due from other governments		3,750	-
Interfund loan receivable	3,750	-	-
Materials and supplies inventory	16,712	-	-
Prepayments	7,336	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-
<b>Other debits:</b>			
Amount to be provided for retirement of general long-term obligations	-	-	-
<b>Total assets and other debits</b>	<b>\$ 5,506,409</b>	<b>\$ 58,258</b>	<b>\$ 143,760</b>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 165,846	\$ 1,064	\$ 42,625	\$ -	\$ -	\$ 3,390,595
-	-	21,418	-	-	21,418
-	-	-	-	-	2,480,512
128	-	-	-	-	219
-	-	1,187	-	-	16,403
8,236	-	-	-	-	11,986
-	-	-	-	-	3,750
6,712	-	-	-	-	23,424
-	-	-	-	-	7,336
11,397	-	-	3,604,183	-	3,615,580
-	-	-	-	411,046	411,046
<b>\$ 192,319</b>	<b>\$ 1,064</b>	<b>\$ 65,230</b>	<b>\$ 3,604,183</b>	<b>\$ 411,046</b>	<b>\$ 9,982,269</b>

(Continued)

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003  
(Continued)

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
Liabilities:			
Accounts payable	\$ 2,993	\$ 30,460	\$ -
Accrued wages and benefits	472,576	6,776	-
Compensated absences payable	4,196	-	-
Pension obligation payable	63,984	816	-
Due to other governments	15,429	146	-
Interfund loan payable	-	3,750	-
Deferred revenue	2,238,954	3,750	76,248
Deposits held and due to others	-	-	-
Due to students	-	-	-
Energy conservation notes payable	-	-	-
	<b>2,798,132</b>	<b>45,698</b>	<b>76,248</b>
<b>Equity and other credits:</b>			
Investment in general fixed assets	-	-	-
Retained earnings: unreserved	-	-	-
Fund balances:			
Reserved for encumbrances	118,161	9,781	40,670
Reserved for materials and supplies inventory	16,712	-	-
Reserved for prepayments	7,336	-	-
Reserved for tax revenue unavailable for appropriation	171,794	-	5,868
Reserved for principal endowment	-	-	-
Unreserved-undesignated	2,394,274	2,779	20,974
	<b>2,708,277</b>	<b>12,560</b>	<b>67,512</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 5,506,409</b>	<b>\$ 58,258</b>	<b>\$ 143,760</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 507	\$ -	\$ -	\$ -	\$ -	\$ 33,960
14,351	-	-	-	-	493,703
3,712	-	-	-	240,525	248,433
6,528	-	-	-	33,744	105,072
1,949	-	-	-	-	17,524
-	-	-	-	-	3,750
-	-	-	-	-	2,318,952
-	-	1,031	-	-	1,031
-	-	36,080	-	-	36,080
-	-	-	-	136,777	136,777
<u>27,047</u>	<u>-</u>	<u>37,111</u>	<u>-</u>	<u>411,046</u>	<u>3,395,282</u>
-	-	-	3,604,183	-	3,604,183
165,272	1,064	-	-	-	166,336
-	-	-	-	-	168,612
-	-	-	-	-	16,712
-	-	-	-	-	7,336
-	-	-	-	-	177,662
-	-	20,000	-	-	20,000
-	-	8,119	-	-	2,426,146
<u>165,272</u>	<u>1,064</u>	<u>28,119</u>	<u>3,604,183</u>	<u>-</u>	<u>6,586,987</u>
<u><b>\$ 192,319</b></u>	<u><b>\$ 1,064</b></u>	<u><b>\$ 65,230</b></u>	<u><b>\$ 3,604,183</b></u>	<u><b>\$ 411,046</b></u>	<u><b>\$ 9,982,269</b></u>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$ 2,360,027	\$ -	\$ 79,459
Tuition	180,792	-	-
Earnings on investments	38,652	163	-
Extracurricular	-	89,171	-
Other local revenues	24,351	11,331	-
Intergovernmental - State	2,579,979	148,665	10,735
Intergovernmental - Federal	192	135,843	-
<b>Total revenues</b>	<b>5,183,993</b>	<b>385,173</b>	<b>90,194</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,046,946	101,877	35,805
Special	435,177	112,300	-
Vocational	190,470	5,663	-
Other	20,679	-	-
Support services:			
Pupil	168,185	9,013	-
Instructional staff	152,623	4,652	-
Board of Education	10,272	-	-
Administration	461,440	7,877	-
Fiscal	196,590	5,227	1,777
Business	43,474	-	-
Operations and maintenance	439,434	-	-
Pupil transportation	269,595	-	-
Central	5,378	-	-
Community services	-	81,018	-
Extracurricular activities	130,027	88,640	-
Facilities acquisition and construction	113,860	-	70,220
Debt service:			
Principal retirement	15,683	-	-
Interest and fiscal charges	7,954	-	-
<b>Total expenditures</b>	<b>4,707,787</b>	<b>416,267</b>	<b>107,802</b>
Excess of revenues over (under) expenditures	476,206	(31,094)	(17,608)
<b>Other financing sources (uses):</b>			
Operating transfers in	86	-	-
Operating transfers out	-	-	-
Proceeds from sale of fixed assets	508	-	-
<b>Total other financing sources (uses)</b>	<b>594</b>	<b>-</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	476,800	(31,094)	(17,608)
Fund balances, July 1	2,230,090	43,654	85,120
Increase in reserve for inventory	1,387	-	-
<b>Fund balances, June 30</b>	<b>\$ 2,708,277</b>	<b>\$ 12,560</b>	<b>\$ 67,512</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ -	\$ 2,439,486
-	180,792
-	38,815
-	89,171
8,160	43,842
-	2,739,379
-	136,035
8,160	5,667,520
-	2,184,628
-	547,477
-	196,133
-	20,679
7,101	184,299
-	157,275
-	10,272
-	469,317
-	203,594
-	43,474
-	439,434
-	269,595
-	5,378
-	81,018
-	218,667
-	184,080
-	15,683
-	7,954
7,101	5,238,957
1,059	428,563
-	86
(86)	(86)
-	508
(86)	508
973	429,071
4,541	2,363,405
-	1,387
<b>\$ 5,514</b>	<b>\$ 2,793,863</b>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>General</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$ 2,288,774	\$ 2,352,303	\$ 63,529
Tuition	129,775	180,792	51,017
Earnings on investments	70,000	38,653	(31,347)
Extracurricular	-	-	-
Other local revenues	800	3,339	2,539
Intergovernmental - State	2,551,024	2,581,327	30,303
Intergovernmental - Federal	-	192	192
Total revenues	<u>5,040,373</u>	<u>5,156,606</u>	<u>116,233</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,294,217	2,048,585	245,632
Special	465,350	425,416	39,934
Vocational	211,818	195,685	16,133
Other	42,894	42,614	280
Support services:			
Pupil	212,065	178,394	33,671
Instructional staff	177,082	165,048	12,034
Board of Education	10,855	9,445	1,410
Administration	535,074	460,762	74,312
Fiscal	218,850	195,932	22,918
Business	51,856	43,194	8,662
Operations and maintenance	531,217	470,152	61,065
Pupil transportation	322,913	290,696	32,217
Central	5,500	5,378	122
Community services	-	-	-
Extracurricular activities	157,880	129,984	27,896
Facilities acquisition and construction	113,860	113,860	-
Debt service:			
Principal retirement	15,683	15,683	-
Interest and fiscal charges	8,002	7,954	48
Total expenditures	<u>5,375,116</u>	<u>4,798,782</u>	<u>576,334</u>
Excess of revenues over (under) expenditures	<u>(334,743)</u>	<u>357,824</u>	<u>692,567</u>
<b>Other financing sources (uses):</b>			
Advances in	-	16,417	16,417
Advances out	(13,750)	(13,750)	-
Operating transfers in	-	46,437	46,437
Operating transfers out	(46,351)	(46,351)	-
Proceeds from sale of fixed assets	200	508	308
Refund of prior year expenditure	3,000	20,927	17,927
Refund of prior year receipts	(105)	(105)	-
Total other financing sources (uses)	<u>(57,006)</u>	<u>24,083</u>	<u>81,089</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(391,749)</u>	<u>381,907</u>	<u>773,656</u>
Fund balances, July 1	2,388,589	2,388,589	-
Prior year encumbrances appropriated	173,933	173,933	-
<b>Fund balances, June 30</b>	<u><u>\$ 2,170,773</u></u>	<u><u>\$ 2,944,429</u></u>	<u><u>\$ 773,656</u></u>

Special Revenue			Capital Projects		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 76,000	\$ 79,046	\$ 3,046
-	-	-	-	-	-
100	163	63	-	-	-
93,337	89,165	(4,172)	-	-	-
16,352	11,337	(5,015)	-	-	-
157,690	140,304	(17,386)	9,300	10,735	1,435
147,255	147,255	-	-	-	-
<u>414,734</u>	<u>388,224</u>	<u>(26,510)</u>	<u>85,300</u>	<u>89,781</u>	<u>4,481</u>
114,423	113,039	1,384	37,155	37,155	-
126,817	126,817	-	-	-	-
5,663	5,663	-	-	-	-
-	-	-	-	-	-
5,000	5,000	-	-	-	-
337	337	-	-	-	-
100	-	100	-	-	-
9,255	8,478	777	-	-	-
6,106	6,106	-	2,000	1,777	223
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
87,817	80,253	7,564	-	-	-
91,436	89,557	1,879	-	-	-
-	-	-	112,500	109,540	2,960
-	-	-	-	-	-
-	-	-	-	-	-
<u>446,954</u>	<u>435,250</u>	<u>11,704</u>	<u>151,655</u>	<u>148,472</u>	<u>3,183</u>
<u>(32,220)</u>	<u>(47,026)</u>	<u>(14,806)</u>	<u>(66,355)</u>	<u>(58,691)</u>	<u>7,664</u>
10,000	13,750	3,750	-	-	-
(16,417)	(16,417)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(124)	(124)	-	-	-	-
<u>(6,541)</u>	<u>(2,791)</u>	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
(38,761)	(49,817)	(11,056)	(66,355)	(58,691)	7,664
34,879	34,879	-	78,215	78,215	-
31,349	31,349	-	1,450	1,450	-
<u>\$ 27,467</u>	<u>\$ 16,411</u>	<u>\$ (11,056)</u>	<u>\$ 13,310</u>	<u>\$ 20,974</u>	<u>\$ 7,664</u>

(Continued)

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

	<b>Total (Memorandum only)</b>		
	<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$ 2,364,774	\$ 2,431,349	\$ 66,575
Tuition	129,775	180,792	51,017
Earnings on investments	70,100	38,816	(31,284)
Extracurricular	93,337	89,165	(4,172)
Other local revenues	17,152	14,676	(2,476)
Intergovernmental - State	2,718,014	2,732,366	14,352
Intergovernmental - Federal	147,255	147,447	192
Total revenues	<u>5,540,407</u>	<u>5,634,611</u>	<u>94,204</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,445,795	2,198,779	247,016
Special	592,167	552,233	39,934
Vocational	217,481	201,348	16,133
Other	42,894	42,614	280
Support services:			
Pupil	217,065	183,394	33,671
Instructional staff	177,419	165,385	12,034
Board of Education	10,955	9,445	1,510
Administration	544,329	469,240	75,089
Fiscal	226,956	203,815	23,141
Business	51,856	43,194	8,662
Operations and maintenance	531,217	470,152	61,065
Pupil transportation	322,913	290,696	32,217
Central	5,500	5,378	122
Community services	87,817	80,253	7,564
Extracurricular activities	249,316	219,541	29,775
Facilities acquisition and construction	226,360	223,400	2,960
Debt service:			
Principal retirement	15,683	15,683	-
Interest and fiscal charges	8,002	7,954	48
Total expenditures	<u>5,973,725</u>	<u>5,382,504</u>	<u>591,221</u>
Excess of revenues over (under) expenditures	<u>(433,318)</u>	<u>252,107</u>	<u>685,425</u>
<b>Other financing sources (uses):</b>			
Advances in	10,000	30,167	20,167
Advances out	(30,167)	(30,167)	-
Operating transfers in	-	46,437	46,437
Operating transfers out	(46,351)	(46,351)	-
Proceeds from sale of fixed assets	200	508	308
Refund of prior year expenditure	3,000	20,927	17,927
Refund of prior year receipts	(229)	(229)	-
Total other financing sources (uses)	<u>(63,547)</u>	<u>21,292</u>	<u>84,839</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(496,865)</u>	<u>273,399</u>	<u>770,264</u>
Fund balances, July 1	2,501,683	2,501,683	-
Prior year encumbrances appropriated	206,732	206,732	-
<b>Fund balances, June 30</b>	<u><u>\$ 2,211,550</u></u>	<u><u>\$ 2,981,814</u></u>	<u><u>\$ 770,264</u></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>				
Tuition and fees	\$ 26,506	\$ -	\$ -	\$ 26,506
Sales/charges for services	165,510	-	-	165,510
Investment earnings	-	-	1,507	1,507
Other operating revenues	-	2	-	2
<b>Total operating revenues</b>	<u>192,016</u>	<u>2</u>	<u>1,507</u>	<u>193,525</u>
<b>Operating expenses:</b>				
Personal services	99,892	-	-	99,892
Contract services	2,746	-	1,050	3,796
Materials and supplies	134,019	-	-	134,019
Depreciation	1,211	-	-	1,211
<b>Total operating expenses</b>	<u>237,868</u>	<u>-</u>	<u>1,050</u>	<u>238,918</u>
Operating income (loss)	<u>(45,852)</u>	<u>2</u>	<u>457</u>	<u>(45,393)</u>
<b>Nonoperating revenues:</b>				
Operating grants	63,788	-	-	63,788
Federal commodities	26,290	-	-	26,290
Interest revenue	2,012	-	-	2,012
<b>Total nonoperating revenues</b>	<u>92,090</u>	<u>-</u>	<u>-</u>	<u>92,090</u>
Net income	46,238	2	457	46,697
Retained earnings/fund balance (restated), July 1	<u>119,034</u>	<u>1,062</u>	<u>22,148</u>	<u>142,244</u>
<b>Retained earnings/fund balance, June 30</b>	<u><b>\$ 165,272</b></u>	<u><b>\$ 1,064</b></u>	<u><b>\$ 22,605</b></u>	<u><b>\$ 188,941</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>				
Cash received from tuition and fees	\$ 26,428	\$ -	\$ -	\$ 26,428
Cash received from sales/service charges	165,510	-	-	165,510
Cash received from other operations	-	2	-	2
Cash payments for personal services	(94,682)	-	-	(94,682)
Cash payments for contract services	(2,753)	-	(1,050)	(3,803)
Cash payments for materials and supplies	(111,755)	-	-	(111,755)
Net cash provided by (used in) operating activities	<u>(17,252)</u>	<u>2</u>	<u>(1,050)</u>	<u>(18,300)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from operating grants	<u>55,552</u>	<u>-</u>	<u>-</u>	<u>55,552</u>
Net cash provided by noncapital financing activities	<u>55,552</u>	<u>-</u>	<u>-</u>	<u>55,552</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>2,012</u>	<u>-</u>	<u>320</u>	<u>2,332</u>
Net cash provided by investing activities	<u>2,012</u>	<u>-</u>	<u>320</u>	<u>2,332</u>
Net increase (decrease) in cash and cash equivalents	40,312	2	(730)	39,584
Cash and cash equivalents at beginning of year	<u>125,534</u>	<u>1,062</u>	<u>22,148</u>	<u>148,744</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 165,846</u></b>	<b><u>\$ 1,064</u></b>	<b><u>\$ 21,418</u></b>	<b><u>\$ 188,328</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (45,852)	\$ 2	\$ 457	\$ (45,393)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,211	-	-	1,211
Federal donated commodities	26,290	-	-	26,290
Interest reported as operating income	-	-	(1,507)	(1,507)
Changes in assets and liabilities:				
Increase in materials and supplies inventory	(624)	-	-	(624)
Increase in accounts receivable	(78)	-	-	(78)
Increase in accounts payable	35	-	-	35
Increase in accrued wages and benefits	3,806	-	-	3,806
Increase in compensated absences payable	343	-	-	343
Increase in pension obligation payable	1,085	-	-	1,085
Increase in due to other governments	1,535	-	-	1,535
Decrease in deferred revenue	(5,003)	-	-	(5,003)
Net cash provided by (used in) operating activities	<b><u>\$ (17,252)</u></b>	<b><u>\$ 2</u></b>	<b><u>\$ (1,050)</u></b>	<b><u>\$ (18,300)</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District ranks as the 560<sup>th</sup> largest by enrollment among the 740 public and community school districts in the state, and the smallest in Huron County. It currently operates one elementary school and one comprehensive high school. The District employs 25 non-certified and 53 certified employees to provide services to 763 students in grades K through 12 and various community groups.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

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

EHOVE Career Center

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

Northern Ohio Educational Computer Association (NOECA)

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

RELATED ORGANIZATION

Monroeville Public Library

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in § 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10 for further information on this group rating plan.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the district's governmental fund types:

General Fund - The general fund is the general operating fund of the district and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Enterprise Funds - The enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items, which, in other funds, would be subject to accrual (see Note 3.C.).

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds and nonexpendable trust funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds and nonexpendable trust funds.

**C. Measurement Focus/Basis of Accounting**

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

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2003, and which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary funds and nonexpendable trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as revenues.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 11 to the financial statements.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund

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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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during fiscal 2003 amounted to \$38,652, which includes \$1,999 assigned from the other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**F. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepays**

Prepayments for governmental funds represent cash disbursements, which have occurred and are, therefore, not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. 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. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds and Nonexpendable Trust Funds

Equipment reflected in these funds is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized

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and depreciated over the remaining useful life of the related fixed asset. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	15 - 20

**I. Compensated Absences**

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

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

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**J. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

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**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, and tax revenue unavailable for appropriation. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**L. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year. The District has reported interfund loans outstanding at June 30, 2003.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed. The District had no residual equity transfers in fiscal year 2003.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term interfund loans in fiscal year 2003.

An analysis of the District's interfund transactions for fiscal year 2003 is presented in Note 5.

**M. Parochial Schools**

Within the District boundaries, St. Joseph Elementary is operated through the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are

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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a special revenue fund for financial reporting purposes.

**N. Estimates**

The preparation of financial statements in conformity with GAAP 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.

**O. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustment**

During fiscal year 2003, it was determined that enterprise fund fixed assets were understated. This prior period adjustment had the following effect on retained earnings as previously reported as of June 30, 2002:

	<u>Enterprise</u>
Retained earnings as previously reported	\$ 117,354
Restatement	1,680
Restated retained earnings as of July 1, 2002	\$ 119,034

**B. Deficit Fund Balance**

The following funds had a deficit fund balance at June 30, 2003:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Fund</u>	
Miscellaneous State Grants	\$3,750
Auxiliary Services	\$1,634

These funds complied with Ohio state law which does not allow for a cash deficit at year-end. These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These deficits are a result of accruing liabilities in accordance with GAAP.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**C. Agency Funds**

The following is an accrual for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>Assets</u>	
Accounts receivable	\$ 7
<u>Liabilities</u>	
Accounts payable	2,388

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

Interim 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;

4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year-end, the District had \$150 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

*Deposits:* At year-end the carrying amount of the District's deposits was \$942,052 and the bank balance was \$984,836 (both including \$920,000 in non-negotiable certificates of deposit). Of the bank balance:

1. \$274,836 was covered by federal depository insurance; and
2. \$650,000 was specifically pledged collateral in the District's name; and
3. \$60,000 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to § 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
Not subject to categorization:	
Investment in STAR Ohio	\$2,469,811

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents		Investments
GASB Statement No. 9	\$ 3,412,013	\$	-
Investments of the cash management pool:			
Investment in STAR Ohio	(2,469,811)		2,469,811
Cash on hand	(150)		-
GASB Statement No. 3	\$ 942,052	\$	2,469,811

**5. INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2003, consist of the following individual interfund loans receivable and payable:

	Interfund Loan	
	Receivable	Payable
General Fund	\$ 3,750	\$ -
Special Revenue Fund:		
Miscellaneous State Grants	-	3,750
Totals	\$ 3,750	\$ 3,750

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**B.** The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	Transfers In	Transfers Out
General Fund	\$ 86	\$ -
Expendable Trust Fund:		
Special Trust	-	86
Totals	\$ 86	\$ 86

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2002 taxes were collected was \$76,635,290. Agricultural/residential and public utility/minerals real estate represented 73.49 percent or \$56,321,870 of this total; Commercial & industrial real estate represented 10.47 percent or \$8,019,370 of this total, public utility tangible represented 3.67 percent or \$2,813,890 of this total and general tangible property represented 12.37 percent or \$9,480,160 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$46.30 per \$1,000.00 of assessed valuation for operations and \$1.80 per \$1,000.00 of assessed valuation for permanent improvement.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Huron County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Taxes available for advance and recognized as revenue, but not received by the district prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$171,794 in the general fund and \$5,868 in the permanent improvement fund.

**7. RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due from Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,398,396
Accrued interest	15,216
Due from other governments	7,336
 <u>Special Revenue Funds</u>	
Due from other governments	3,750
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	82,116
 <u>Enterprise Funds</u>	
Accounts	128
Due from other governments	8,236

**8. FIXED ASSETS**

A. The general fixed assets account group has been restated as of July 1, 2002 due to assets acquired prior to fiscal year 2003 that had not been recorded as a fixed asset. This correction had the following effect of the balances previously reported in the general fixed assets account group:

	Balance 07/01/02	Adjustment	Restated Balance 07/01/02
Land/improvements	\$ 79,457	\$ 153,562	\$ 233,019
Buildings/improvements	1,354,267	669,446	2,023,713
Furniture/equipment	747,776	48,260	796,036
Vehicles	435,925		435,925
Total	\$ 2,617,425	\$ 871,268	\$ 3,488,693

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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A summary of the changes in the general fixed assets account group during the fiscal year follows:

Asset Category	Restated			Balance 06/30/03
	Balance 07/01/02	Increase	Decrease	
Land/improvements	\$ 233,019	\$ -	\$ -	\$ 233,019
Buildings/improvements	2,023,713	116,470	-	2,140,183
Furniture/equipment	796,036	7,329	-	803,365
Vehicles	435,925	18,646	26,955	427,616
Total	<u>\$ 3,488,693</u>	<u>\$ 142,445</u>	<u>\$ 26,955</u>	<u>\$ 3,604,183</u>

B. A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture/equipment	\$ 42,004
Less: accumulate depreciation	<u>(30,607)</u>
Net fixed assets	<u>\$ 11,397</u>

**9. LONG-TERM OBLIGATIONS**

A. During fiscal year 2000, the District issued unvoted long-term “energy conservation” notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District’s full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes are recorded as expenditures in the general fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes and loans without voter approval, and the subsequent repayment of the notes from operating revenues.

The following is a description of the District’s energy conservation note outstanding as of June 30, 2003:

	Interest Rates	Issue Date	Maturity Date	Balance 07/01/02	Retired in Fiscal 2003	Balance 06/30/03
School energy conservation note	5.50%	11/01/99	11/01/09	<u>\$ 152,460</u>	<u>\$ (15,683)</u>	<u>\$ 136,777</u>

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Fiscal Year Ending	Principal on Energy Conservation Note	Interest on Energy Conservation Note	Total
2004	\$ 16,545	\$ 7,068	\$ 23,613
2005	17,455	6,133	23,588
2006	18,415	5,146	23,561
2007	19,428	4,106	23,534
2008	20,497	3,008	23,505
2009 - 2010	44,437	2,477	46,914
Total	<u>\$ 136,777</u>	<u>\$ 27,938</u>	<u>\$ 164,715</u>

- C. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance 07/01/02	Increase	Decrease	Balance 06/30/03
Compensated absences	\$ 208,180	\$ 56,149	\$ (23,804)	\$ 240,525
Pension obligation	31,696	33,744	(31,696)	33,744
Energy conservation note	152,460	-	(15,683)	136,777
Total	<u>\$ 392,336</u>	<u>\$ 89,893</u>	<u>\$ (71,183)</u>	<u>\$ 411,046</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$6,897,176, an unvoted debt margin of \$76,635, and an unvoted energy conservation debt margin of \$552,941.

**10. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2002.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**B. Health Care Benefits**

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

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

**C. Workers' Compensation**

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**11. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	Food Service	Uniform School Supplies	Total
Operating revenue	\$ 165,510	\$ 26,506	\$ 192,016
Depreciation expense	1,211	-	1,211
Operating income/(loss)	(53,223)	7,371	(45,852)
Non-operating revenue:			
Operating grants	63,788	-	63,788
Interest revenue	2,012	-	2,012
Donated federal commodities	26,290	-	26,290
Net income	38,867	7,371	46,238
Net working capital	134,061	25,536	159,597
Total assets	166,276	26,043	192,319
Long-term liabilities			
payable from fund revenues	5,722	-	5,722
Total fund equity	139,736	25,536	165,272
Encumbrances outstanding as of 6/30/03	2,214	4,132	6,346

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2003, 8.17 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$50,395, \$32,036, and \$23,280, respectively; 53 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$40,320 represents the unpaid contribution for fiscal year 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$297,642, \$204,891, \$198,897, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$50,960 represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003,

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$22,895 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$44,203 during the 2003 fiscal year.

**14. BUDGETARY BASIS OF ACCOUNTING**

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		
	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Project Funds
Budget basis	\$ 381,907	\$ (49,817)	\$ (58,691)
Net adjustment for:			
Revenue Accruals	27,387	(3,051)	413
Expenditure Accruals	(29,490)	(19,108)	-
Other Financing Sources/(Uses)	(23,489)	2,791	-
Encumbrances (budget basis)	120,485	38,091	40,670
GAAP basis	\$ 476,800	\$ (31,094)	\$ (17,608)

**15. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**B. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient ...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**16. STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbook	Capital Acquisition
Set-aside balance, June 30, 2002	\$ (61,277)	\$ -
Current year set-aside requirement	87,900	87,900
Current year offsets	-	(89,781)
Qualifying disbursements	(117,515)	-
Total	\$ (90,892)	\$ (1,881)
Set-aside balance carried forward FY 2004	\$ (90,892)	\$ -

The District had qualifying disbursements during the year that reduced the capital acquisition set-aside amounts below zero. These extra amounts may not be used to reduce the set-aside requirements of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Monroeville Local School District  
Huron County  
101 West Street  
Monroeville, Ohio 44847-9439

To the Board of Education:

We have audited the financial statements of the Monroeville Local School District, Huron County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 10, 2003.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 10, 2003



**Auditor of State  
Betty Montgomery**

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**MONROEVILLE LOCAL SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 13, 2004**